

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name GOGEBIC COUNTY	County GOGEBIC
Audit Date DECEMBER 31, 2005	Opinion Date JUNE 9, 2006	Date Accountant Report Submitted to State: JUNE 29, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC			
Street Address 301 N Suffolk St		City Ironwood	State MI
Accountant Signature <i>Dean Beaudoin CPA</i>		ZIP 49938	Date 6/29/06

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JOKI, MAKELA & POLLACK, P.L.L.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements of Gogebic County, Michigan, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable; thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2006, on our consideration of Gogebic County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 14 and page 76 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gogebic County, Michigan's basic financial statements. The accompanying Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended as required by the Federal Aviation Administration of the U.S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Gogebic County, Michigan. The Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Toti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

Management's Discussion and Analysis

This section of the Gogebic County, Michigan's (County) annual financial report presents our discussion and analysis of the County's financial performance during the year ended December 31, 2005. It is to be read in conjunction with the County's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2005.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the County as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net assets includes all of the County's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities and component units of the County that include all services performed by the County. These activities are funded primarily by property taxes, charges for services and by federal and state grants.

The statement of net assets shows the County's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the County. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the County; the greater the net asset figure, the healthier the financial position of the County generally is. It helps management determine if the County will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the County. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the County.

Fund Financial Statements

The County's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Medical Care Facility and Airport Funds. All other funds are considered nonmajor and are reported as one column.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds are reported in the fund financial statements and contain nearly the same functions reported as governmental activities in the government-wide financial statements. However, the fund statements provide a different view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds basically include the same functions reported as business-type activities in government-wide financial statements. Internal service funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes. Because the County's internal service funds primarily serve governmental functions, they are included within the governmental activities of the government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. Individual fund information for internal service funds and non-major enterprise funds is found in combining statements in a later section of this report.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund County programs. Fiduciary fund financial statements report similarly to proprietary funds.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following are condensed statements of net assets with a detailed analysis of the statements below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2005			
	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Units</u>
	<u>Activities</u>	<u>Activities</u>		
ASSETS				
Current Assets:				
Cash and investments	\$ 1,082,358	\$ 3,187,154	\$ 4,269,512	\$ 939,874
Accounts receivable	3,231,930	1,280,230	4,512,160	1,250,278
Other current assets	<u>2,500</u>	<u>94,477</u>	<u>96,977</u>	<u>899,619</u>
Total Current Assets	\$ 4,316,788	\$ 4,561,861	\$ 8,878,649	\$ 3,089,771
Noncurrent Assets:				
Other assets - reserved cash		\$ 422,837	\$ 422,837	\$ 281,350
Noncurrent receivable	\$ 435,000		435,000	
Capital assets, net of accumulated depreciation	<u>1,671,310</u>	<u>5,690,710</u>	<u>7,362,020</u>	<u>9,454,273</u>
Total Noncurrent Assets	\$ 2,106,310	\$ 6,113,547	\$ 8,219,857	\$ 9,735,623
Total Assets	\$ 6,423,098	\$ 10,675,408	\$ 17,098,506	\$ 12,825,394
LIABILITIES				
Accounts payable	\$ 141,880	\$ 226,474	\$ 368,354	\$ 403,101
Accrued payroll and related fringe benefits	92,993	175,143	268,136	231,547
Deferred revenues	2,926,229		2,926,229	450,910
Other current liabilities				<u>353,157</u>
Total Current Liabilities	\$ 3,161,102	\$ 401,617	\$ 3,562,719	\$ 1,438,715
Long-term liabilities	<u>628,773</u>	<u>414,961</u>	<u>1,043,734</u>	<u>2,176,054</u>
Total Liabilities	\$ 3,789,875	\$ 816,578	\$ 4,606,453	\$ 3,614,769
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,671,310	\$ 5,676,969	\$ 7,348,279	\$ 7,867,231
Restricted	63,625	29,237	92,862	70,523
Unrestricted	<u>898,288</u>	<u>4,152,624</u>	<u>5,050,912</u>	<u>1,272,871</u>
Total Net Assets	\$ 2,633,223	\$ 9,858,830	\$ 12,492,053	\$ 9,210,625

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2004			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and investments	\$ 1,024,740	\$ 3,236,421	\$ 4,261,161	\$ 1,679,900
Accounts receivable	2,920,192	1,131,247	4,051,439	1,082,125
Other current assets	<u>5,000</u>	<u>143,652</u>	<u>148,652</u>	<u>813,515</u>
Total Current Assets	\$ 3,949,932	\$ 4,511,320	\$ 8,461,252	\$ 3,575,540
Noncurrent Assets:				
Other assets - reserved cash		\$ 234,122	\$ 234,122	\$ 282,025
Noncurrent receivable	\$ 495,000		495,000	
Capital assets, net of accumulated depreciation	<u>1,464,167</u>	<u>6,116,562</u>	<u>7,580,729</u>	<u>7,778,112</u>
Total Noncurrent Assets	\$ 1,959,167	\$ 6,350,684	\$ 8,309,851	\$ 8,060,137
Total Assets	<u>\$ 5,909,099</u>	<u>\$ 10,862,004</u>	<u>\$ 16,771,103</u>	<u>\$ 11,635,677</u>
LIABILITIES				
Accounts payable	\$ 170,986	\$ 169,570	\$ 340,556	\$ 572,544
Accrued payroll and related fringe benefits	2,411	158,910	161,321	303,208
Deferred revenues	2,722,737		2,722,737	460,258
Other current liabilities	<u>2,966</u>		<u>2,966</u>	<u>349,734</u>
Total Current Liabilities	\$ 2,899,100	\$ 328,480	\$ 3,227,580	\$ 1,685,744
Long-term liabilities	<u>681,962</u>	<u>471,795</u>	<u>1,153,757</u>	<u>2,282,515</u>
Total Liabilities	<u>\$ 3,581,062</u>	<u>\$ 800,275</u>	<u>\$ 4,381,337</u>	<u>\$ 3,968,259</u>
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,464,167	\$ 6,054,398	\$ 7,518,565	\$ 6,100,874
Restricted	49,822	56,048	105,870	55,021
Unrestricted	<u>814,048</u>	<u>3,951,283</u>	<u>4,765,331</u>	<u>1,511,523</u>
Total Net Assets	<u>\$ 2,328,037</u>	<u>\$ 10,061,729</u>	<u>\$ 12,389,766</u>	<u>\$ 7,667,418</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

The County's net assets and component unit net assets are \$12,492,053 and \$9,210,625 at December 31, 2005, respectively. The County's net assets and component unit net assets are \$12,389,766 and \$7,667,418 at December 31, 2004, respectively. Capital assets, net of related debt are \$7,348,279 and \$7,867,231 at December 31, 2005, respectively. Capital assets, net of related debt are \$7,518,565 and \$6,100,874 at December 31, 2004, respectively. Capital assets, net of related debt, is derived by taking the original costs of the County's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Component unit capital assets include infrastructure assets of \$6,245,936 at December 31, 2005 and \$4,296,063 at December 31, 2004.

Restricted net assets are restricted for maintenance of effort tax collections, long-term portion of notes receivable and for future road maintenance.

The unrestricted net assets are \$5,050,912 and \$1,272,871 as of December 31, 2005, respectively. The unrestricted net assets are \$4,765,331 and \$1,511,523 as of December 31, 2004, respectively. This is the net accumulated results of the current and past years' operations. The nature of the County's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities

The results of operations for the County as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year.

	<u>Year ended December 31, 2005</u>			
	<u>Primary Government</u>		<u>Total</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Revenue -				
Program Revenues:				
Charges for services	\$ 892,423	\$ 8,653,236	\$ 9,545,659	\$ 1,472,873
Operating grants and contributions	1,521,920	458,749	1,980,669	7,857,928
General Revenues:				
State aid	10,860		10,860	831,468
Property taxes	3,164,553	120,415	3,284,968	
Other	<u>861,996</u>	<u>62,755</u>	<u>924,751</u>	<u>4,643,984</u>
Total Revenue	\$ 6,451,752	\$ 9,295,155	\$ 15,746,907	\$ 14,806,253
Program expenses:				
Governmental activities	\$ 6,146,566		\$ 6,146,566	
Business-type activities		\$ 9,208,034	9,208,034	
Component unit				<u>\$ 13,263,046</u>
Total Program Expenses	<u>\$ 6,146,566</u>	<u>\$ 9,208,034</u>	<u>\$ 15,354,600</u>	<u>\$ 13,263,046</u>
Increase in Net Assets	<u>\$ 305,186</u>	<u>\$ 87,121</u>	<u>\$ 392,307</u>	<u>\$ 1,543,207</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	<u>Year ended December 31, 2004</u>			
	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Revenue -				
Program Revenues:				
Charges for services	\$ 918,989	\$ 8,272,909	\$ 9,191,898	\$ 1,389,923
Operating grants and contributions	1,531,439	932,703	2,464,142	7,906,498
General Revenues:				
State aid	164,726		164,726	903,610
Property taxes	3,228,838	123,357	3,352,195	
Other	<u>769,040</u>	<u>(2,208)</u>	<u>766,832</u>	<u>4,717,656</u>
Total Revenue	\$ 6,613,032	\$ 9,326,761	\$ 15,939,793	\$ 14,917,687
Program expenses:				
Governmental activities	\$ 6,193,070		\$ 6,193,070	
Business-type activities		\$ 8,930,951	8,930,951	
Component unit				<u>\$ 13,758,928</u>
Total Program Expenses	\$ 6,193,070	\$ 8,930,951	\$ 15,124,021	\$ 13,758,928
Increase in Net Assets	\$ 419,962	\$ 395,810	\$ 815,772	\$ 1,158,759

The County had an overall increase in net assets of \$392,307 for the year ended December 31, 2005, and component units had an overall increase in net assets of \$1,543,207. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the General Fund. The General Fund received more operating transfers in for the year ended December 31, 2005, then it did for the year ended December 31, 2004. The largest increase in net assets for the business-type activities was due to an increase in net assets for Forestry and Parks Commission of \$280,843. The Forestry and Parks Commission revenues from timber sales increased during the year ended December 31, 2005. The largest increase in component unit net assets was attributable to the County Road Commission. Starting January 1, 2003, the County Road Commission capitalizes infrastructure outlay instead of expensing these items. Operating grants and contributions continue to be recognized as program revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

The County had an overall increase in net assets of \$815,772 for the year ended December 31, 2004 and component units had an overall increase in net assets of \$1,158,759. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the Revenue Sharing Reserve Fund of \$357,552. The largest increase in net assets for the business-type activities was due to an increase in net assets for Airport Capital Improvement Fund of \$514,901. The Airport Capital Improvement Fund recognized capital contributions as revenues. The monies spent were capitalized as capital outlay instead of expensing these items. The largest increase in component unit net assets was attributable to the County Road Commission. Operating grants and contributions continue to be recognized as program revenues.

The County's total revenues totaled \$15,746,907 and its component unit total revenues totaled \$14,806,253 for the year ended December 31, 2005. The County's total revenues totaled \$15,939,793 and its component unit total revenues totaled \$14,917,687 for the year ended December 31, 2004.

For the year ended December 31, 2005, the County's total cost to fund all governmental activities was \$6,146,566, business-type activities was \$9,208,034 and component units was \$13,263,046. A majority of these costs were funded by property taxes and state aid. This shows the County has reliance on property taxes and state aid to provide future funding for their programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the County revised its original budget several times to account for the changing environment of funding sources, generally in the federal grant area. The most significant budget to actual variance was in the Special Revenue Funds budget for Capital Outlay. The budget was not amended to account for capital outlay at the County Parks and for the 911 Service Fund. A schedule showing the County's General Fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At December 31, 2005, the County had \$7,362,020 invested in capital assets net of depreciation and its Component units had \$9,454,273 invested. The County's net capital assets decreased during the past fiscal year by \$218,709, consisting of additions totaling \$541,153, disposals of \$25,233 and depreciation charges of \$734,629. The component unit's capital assets increased during the year by \$1,676,161, consisting of additions totaling \$2,339,815 and depreciation charges of \$663,654. The majority of the increase consisted of Road Commission infrastructure additions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt

The County had \$1,043,734 of long-term liabilities at December 31, 2005 and its component units had \$2,176,054. These amounts consist of a revenue bond payable, notes payable, accrued paid time off benefits payable to employees and a capital lease.

Future Considerations

The elimination of state revenue sharing payments and budget cuts, increasing reliance of certain Special Revenue Funds on General Fund support and increasing health insurance costs will impact the future financial condition of the County. The County has adopted a budget for the upcoming fiscal year that should not over expend its funding and should leave the County with a positive Fund Balance. Because the County has required more operating transfers from its Delinquent Tax Revolving Fund in recent years, the County will need to borrow \$500,000 in 2006 to purchase the delinquent real property tax roll from the local units.

Contacting the County

If you have any questions about this report or need additional information, contact the County offices at Gogebic County, 200 N. Moore Street, Bessemer, MI 49911; telephone number (906) 663-4517.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF
GOGEBIC COUNTY,
December 31,

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$ 1,082,358	\$ 2,683,093	\$ 3,765,451	\$ 197,024
Investments		504,061	504,061	742,850
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	2,881,198	580,438	3,461,636	
Accounts		617,425	617,425	139,213
State of Michigan	226,040	37,928	263,968	1,067,350
Notes	45,031		45,031	43,715
Other	79,661	44,439	124,100	
Due from other funds	2,500	546	3,046	
Inventories		59,877	59,877	547,982
Deferred and prepaid expenses		34,054	34,054	351,637
Noncurrent receivable for general obligation indebtedness	435,000		435,000	
Capital assets:				
Land, buildings, equipment and infrastructure	4,064,531	16,183,112	20,247,643	16,277,662
Less: Accumulated depreciation	(2,393,221)	(10,645,288)	(13,038,509)	(6,823,389)
Construction in progress		152,886	152,886	
Other assets-reserved cash		422,837	422,837	281,350
Total Assets	\$ 6,423,098	\$ 10,675,408	\$ 17,098,506	\$ 12,825,394

NET ASSETS

MICHIGAN

2005

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units
LIABILITIES				
Accounts payable	\$ 141,880	\$ 226,474	\$ 368,354	\$ 403,101
Salaries and wages and related liabilities	92,993	175,143	268,136	231,547
Advances from and amounts due State of Michigan				263,895
Interest payable				40,459
Deferred revenues	2,926,229		2,926,229	450,910
Other liabilities				48,803
Long-term debt:				
General obligation indebtedness	435,000		435,000	
Note payable to bank		13,741	13,741	60,334
Capital lease payable				1,635,000
Unamortized deferred amount on capital lease restatement				(108,292)
Accumulated absences	<u>193,773</u>	<u>401,220</u>	<u>594,993</u>	<u>589,012</u>
Total Liabilities	<u>\$ 3,789,875</u>	<u>\$ 816,578</u>	<u>\$ 4,606,453</u>	<u>\$ 3,614,769</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,671,310	\$ 5,676,969	\$ 7,348,279	\$ 7,867,231
Restricted	63,625	29,237	92,862	70,523
Unrestricted	<u>898,288</u>	<u>4,152,624</u>	<u>5,050,912</u>	<u>1,272,871</u>
Net Assets	<u>\$ 2,633,223</u>	<u>\$ 9,858,830</u>	<u>\$ 12,492,053</u>	<u>\$ 9,210,625</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT
GOGEBIC COUNTY,
Year ended

			Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Legislative	\$ 46,039			
Judicial	830,951	\$ 315,014	\$ 509,127	
General government	1,036,082	215,473	181,206	
Public safety	1,396,933	239,329	432,122	
Health and welfare	1,243,037	33,970	363,269	
Recreation and parks	78,087	88,637		
Other functions	1,346,092			
Interest on long-term debt	36,210		36,196	
Depreciation (unallocated)	133,135			
Total Governmental Activities	\$ 6,146,566	\$ 892,423	\$ 1,521,920	\$ 0
Business-type activities:				
Medical Care Facility	\$ 7,250,332	\$ 7,234,333		
Forestry and Parks Commission	310,198	734,805		
Fair Board	169,440	110,903	\$ 31,568	
Airport	981,866	520,978	102,117	\$ 104,399
Gogebic County Transit	496,198	52,217	220,665	
Total Business-Type Activities	\$ 9,208,034	\$ 8,653,236	\$ 354,350	\$ 104,399
Total Primary Government	\$ 15,354,600	\$ 9,545,659	\$ 1,876,270	\$ 104,399
Component Units:				
Gogebic County Road Commission	\$ 5,467,798	\$ 1,000,264	\$ 3,607,376	\$ 2,272,086
Community Mental Health Authority	5,914,320	472,609	79,142	
Western U.P. Manpower Consortium	1,878,474		1,899,324	
Economic Development Corporation	2,454			
Total Component Units	\$ 13,263,046	\$ 1,472,873	\$ 5,585,842	\$ 2,272,086
General revenues:				
Taxes				
Licenses and permits				
Federal grants				
State revenue sharing				
State grants				
Medicaid not restricted				
Interest and rents				
Other revenues				
Loss on disposal of assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net assets at January 1, 2005				
Net assets at December 31, 2005				

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

MICHIGAN

December 31, 2005

<u>Net (Expense) Revenue and</u> <u>Changes in Net Assets</u> <u>Primary Government</u>			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (46,039)		\$ (46,039)	
(6,810)		(6,810)	
(639,403)		(639,403)	
(725,482)		(725,482)	
(845,798)		(845,798)	
10,550		10,550	
(1,346,092)		(1,346,092)	
(14)		(14)	
<u>(133,135)</u>		<u>(133,135)</u>	
\$ (3,732,223)	\$ 0	\$ (3,732,223)	\$ 0
	\$ (15,999)	\$ (15,999)	
	424,607	424,607	
	(26,969)	(26,969)	
	(254,372)	(254,372)	
	<u>(223,316)</u>	<u>(223,316)</u>	
	\$ (96,049)	\$ (96,049)	
\$ (3,732,223)	\$ (96,049)	\$ (3,828,272)	\$ 0
			\$ 1,411,928
			(5,362,569)
			20,850
			<u>(2,454)</u>
\$ 0	\$ 0	\$ 0	\$ (3,932,245)
\$ 3,164,553	\$ 120,415	\$ 3,284,968	
15,937		15,937	
290,351		290,351	
10,860		10,860	
			\$ 831,468
			4,392,954
157,108	9,475	166,583	47,851
49,794	(1,820)	47,974	72,929
(23,413)		(23,413)	
<u>372,219</u>	<u>55,100</u>	<u>427,319</u>	<u>130,250</u>
\$ 4,037,409	\$ 183,170	\$ 4,220,579	\$ 5,475,452
\$ 305,186	\$ 87,121	\$ 392,307	\$ 1,543,207
<u>2,328,037</u>	<u>7,084,600</u>	<u>9,412,637</u>	<u>7,667,418</u>
<u>\$ 2,633,223</u>	<u>\$ 7,171,721</u>	<u>\$ 9,804,944</u>	<u>\$ 9,210,625</u>

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 268,679	\$ 813,679	\$ 1,082,358
Receivables (net, where applicable, of allowances for uncollectibles):			
Taxes	2,881,198		2,881,198
State of Michigan	197,565	28,475	226,040
Notes		45,031	45,031
Other	56,279	23,382	79,661
Due from other funds		2,500	2,500
	<u>\$ 3,403,721</u>	<u>\$ 913,067</u>	<u>\$ 4,316,788</u>
LIABILITIES AND COUNTY EQUITY			
Accounts payable	\$ 67,628	\$ 74,252	\$ 141,880
Salaries and wages and related liabilities	92,993		92,993
Deferred revenues	<u>2,881,198</u>	<u>45,031</u>	<u>2,926,229</u>
Total Liabilities	<u>\$ 3,041,819</u>	<u>\$ 119,283</u>	<u>\$ 3,161,102</u>
County equity:			
Fund balance:			
Reserved	\$ 48,746	\$ 14,879	\$ 63,625
Unreserved	<u>313,156</u>	<u>778,905</u>	<u>1,092,061</u>
Total County Equity	<u>\$ 361,902</u>	<u>\$ 793,784</u>	<u>\$ 1,155,686</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

Fund balances - total governmental funds

Amounts reported for governmental activities in the statement of net assets \$ 1,155,686
are different because:

Capital assets used in governmental activities are not financial resources and
therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 4,064,531	
Less accumulated depreciation	<u>(2,393,221)</u>	1,671,310

Other long-term assets (receivables) are not available to pay current-
period expenditures and, therefore, are deferred in the funds. 435,000

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in the funds.

Accumulated absences	\$ (193,773)	
General obligation indebtedness	<u>(435,000)</u>	<u>(628,773)</u>

Net assets of governmental activities \$ 2,633,223

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,647,537	\$ 517,016	\$ 3,164,553
Licenses and permits	15,937		15,937
Federal grants	379,542	134,926	514,468
State grants	718,023	323,033	1,041,056
Contributions from local units	104,047	114,052	218,099
Charges for services	681,427	152,277	833,704
Fines and forfeits	58,719		58,719
Interest and rents	156,351	757	157,108
Other revenues	<u>49,794</u>	<u>109,508</u>	<u>159,302</u>
Total Revenues	\$ 4,811,377	\$ 1,351,569	\$ 6,162,946
Expenditures:			
Current expenditures:			
Legislative	\$ 46,039		\$ 46,039
Judicial	818,948	\$ 12,003	830,951
General government	1,036,082		1,036,082
Public safety	1,279,743	117,190	1,396,933
Health and welfare	366,948	876,089	1,243,037
Recreation and culture		78,087	78,087
Other functions	1,339,281		1,339,281
Capital outlay	203,882	159,809	363,691
Debt service	<u></u>	<u>96,210</u>	<u>96,210</u>
Total Expenditures	\$ 5,090,923	\$ 1,339,388	\$ 6,430,311
Excess (Deficiency) of Revenues Over Expenditures	\$ (279,546)	\$ 12,181	\$ (267,365)
Other financing sources (uses) -			
Operating transfers in (out)	<u>407,117</u>	<u>(34,898)</u>	<u>372,219</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 127,571	\$ (22,717)	\$ 104,854
Fund balance at January 1, 2005	<u>234,331</u>	<u>816,501</u>	<u>1,050,832</u>
FUND BALANCE AT DECEMBER 31, 2005	\$ <u>361,902</u>	\$ <u>793,784</u>	\$ <u>1,155,686</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

Net change in fund balance - total governmental funds		\$	104,854
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:			
Expenditures for capital assets	\$	363,691	
Less current year depreciation		<u>(133,135)</u>	230,556
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:			
Bond proceeds	\$	(60,000)	
Repayment of bonds		<u>60,000</u>	0
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year.			(6,811)
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Net Assets.			<u>(23,413)</u>
Change in net assets of governmental funds		\$	<u>305,186</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 197,032	\$ 14,501	\$ 112,669	\$ 127,170	\$ 250,955	\$ 575,157	\$ 2,107,936
Temporary investments					504,061	504,061	
Patient accounts receivable	627,425					627,425	
Less allowances	(10,000)					(10,000)	
Other accounts receivable		42,317		42,317	2,122	44,439	
Property taxes receivable							
Grants receivable			2,702	2,702	1,265	1,265	579,173
Due from other funds					35,226	37,928	
Inventories	45,648	14,229		14,229	546	59,877	
Prepaid expenses	30,233				3,821	34,054	
Total Current Assets	\$ 890,338	\$ 71,047	\$ 115,371	\$ 186,418	\$ 797,996	\$ 1,874,752	\$ 2,687,109
Non Current Assets:							
Capital assets	\$ 4,059,052	\$ 8,538,173	\$ 1,058,985	\$ 9,597,158	\$ 2,526,902	\$ 16,183,112	
Less allowances for depreciation	(2,544,282)	(6,981,079)	(197,506)	(7,178,585)	(922,421)	(10,645,288)	
Construction in progress	\$ 1,514,770	\$ 1,557,094	\$ 861,479	\$ 2,418,573	\$ 1,604,481	\$ 5,537,824	
	27,634		125,252	125,252		152,886	
Total Non Current Assets	\$ 1,542,404	\$ 1,557,094	\$ 986,731	\$ 2,543,825	\$ 1,604,481	\$ 5,690,710	
Other Assets:							
Cash reserved for:							
Funded depreciation	\$ 421,969					\$ 421,969	
Other restricted	868					868	
	\$ 422,837					\$ 422,837	
Total Assets	\$ 2,855,579	\$ 1,628,141	\$ 1,102,102	\$ 2,730,243	\$ 2,402,477	\$ 7,988,299	\$ 2,687,109

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES							
Liabilities:							
Current Liabilities:							
Accounts payable	\$ 174,673	\$ 26,528		\$ 26,528	\$ 25,273	\$ 226,474	
Salaries and wages and related liabilities	<u>158,609</u>	<u>10,111</u>		<u>10,111</u>	<u>6,423</u>	<u>175,143</u>	
Total Current Liabilities	\$ 333,282	\$ 36,639	\$ 0	\$ 36,639	\$ 31,696	\$ 401,617	
Non-current liabilities:							
Note payable to bank			\$ 13,741	\$ 13,741		\$ 13,741	
Accrued sick and vacation pay	<u>334,780</u>	<u>21,396</u>		<u>21,396</u>	<u>45,044</u>	<u>401,220</u>	
Total Long-term Liabilities	\$ 334,780	\$ 21,396	\$ 13,741	\$ 35,137	\$ 45,044	\$ 414,961	
Total Liabilities	<u>668,062</u>	<u>58,035</u>	<u>13,741</u>	<u>71,776</u>	<u>76,740</u>	<u>816,578</u>	
NET ASSETS							
Net Assets:							
Invested in capital assets, net of related debt	\$ 1,542,404	\$ 1,557,094	\$ 972,990	\$ 2,530,084	\$ 1,604,481	\$ 5,676,969	
Restricted	<u>868</u>				<u>28,369</u>	<u>29,237</u>	
Unrestricted	<u>644,245</u>	<u>13,012</u>	<u>115,371</u>	<u>128,383</u>	<u>692,887</u>	<u>1,465,515</u>	\$ 2,687,109
Total Net Assets	<u>2,187,517</u>	<u>1,570,106</u>	<u>1,088,361</u>	<u>2,658,467</u>	<u>2,325,737</u>	<u>7,171,721</u>	<u>2,687,109</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Enterprise Fund Totals	Internal Service Funds
Operating revenues - sales and charges for services, net	\$ 7,112,033	\$ 441,204	\$	\$ 441,204	\$ 897,088	\$ 8,450,325	\$ 218,667
Other operating revenues	<u>122,300</u>	<u>60,824</u>	<u>\$ 18,950</u>	<u>79,774</u>	<u>837</u>	<u>202,911</u>	
	\$ 7,234,333	\$ 502,028	\$ 18,950	\$ 520,978	\$ 897,925	\$ 8,653,236	\$ 218,667
Operating expenses:							
Salaries, fees and fringe benefits	\$ 5,584,884	\$ 287,763	\$	\$ 287,763	\$ 545,167	\$ 6,417,814	
Services, materials and other operating expenses	<u>1,430,453</u>	<u>374,337</u>	<u>\$ 90,915</u>	<u>465,252</u>	<u>288,198</u>	<u>2,183,903</u>	\$ 6,620
Depreciation provisions	226,824	177,457	49,742	227,199	142,471	596,494	
Provision for bad debts	<u>8,171</u>					<u>8,171</u>	
Interest			<u>1,652</u>	<u>1,652</u>		<u>1,652</u>	
	\$ 7,250,332	\$ 839,557	\$ 142,309	\$ 981,866	\$ 975,836	\$ 9,208,034	\$ 6,620
Nonoperating revenues:							
Property taxes							
Federal grants			\$ 68,500	\$ 68,500	\$ 120,415	\$ 120,415	
State grants		\$ 22,792	10,825	33,617	200,030	233,647	
Interest		<u>(1,820)</u>		<u>(1,820)</u>	<u>9,475</u>	<u>9,475</u>	\$ 62,752
Loss on asset disposal						<u>(1,820)</u>	
	\$ 0	\$ 20,972	\$ 79,325	\$ 100,297	\$ 382,123	\$ 482,420	\$ 62,752
Income (Loss) Before Operating Transfers	\$ (15,999)	\$ (316,557)	\$ (44,034)	\$ (360,591)	\$ 304,212	\$ (72,378)	\$ 274,799
Operating transfers from (to) -							
Other funds		183,150	18,950	202,100	(147,000)	55,100	(564,819)
Capital contributions			<u>104,399</u>	<u>104,399</u>		<u>104,399</u>	
	\$ (15,999)	\$ (133,407)	\$ 79,315	\$ (54,092)	\$ 157,212	\$ 87,121	\$ (290,020)
Change in Net Assets	<u>2,203,516</u>	<u>1,703,513</u>	<u>1,009,046</u>	<u>2,712,559</u>	<u>2,168,525</u>	<u>7,084,600</u>	<u>2,977,129</u>
Net assets at January 1, 2005							
NET ASSETS AT DECEMBER 31, 2005	\$ 2,187,517	\$ 1,570,106	\$ 1,088,361	\$ 2,658,467	\$ 2,325,737	\$ 7,171,721	\$ 2,687,109

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$ 7,152,150	\$ 421,756	\$ 18,950	\$ 421,756	\$ 895,803	\$ 8,469,709	
Cash received from local units		60,824		79,774		79,774	
Property tax collections							\$ 1,256,097
Other revenues							218,667
Cash paid to employees	(5,593,517)	(273,736)		(273,736)	(542,739)	(6,409,992)	
Cash paid to local units							(1,275,024)
Cash paid to suppliers	(1,311,599)	(372,341)	(11,590)	(383,931)	(283,039)	(1,978,569)	(6,620)
Net Cash Provided by (Used in) Operating Activities	\$ 247,034	\$ (163,497)	\$ 7,360	\$ (156,137)	\$ 70,025	\$ 160,922	\$ 193,120
Cash flows from capital and related financing activities:							
Acquisition of land, buildings and equipment	\$ (89,539)	\$ (17,640)	\$ (43,578)	\$ (61,218)	\$ (19,400)	\$ (170,157)	
Proceeds from sale of assets			13,741	13,741		13,741	
Principal paid on long-term debt			(62,164)	(62,164)		(62,164)	
Interest paid			(1,652)	(1,652)		(1,652)	
Capital grant received			79,462	79,462		79,462	
Net Cash (Used in) Capital and Related Financing Activities	\$ (89,539)	\$ (17,640)	\$ (14,191)	\$ (31,831)	\$ (19,400)	\$ (140,770)	\$ 0
Cash flows from noncapital financing activities:							
Operating transfers in (to) other funds		\$ 183,150	\$ 18,950	\$ 202,100	\$ (147,000)	\$ 55,100	\$ (564,819)
State and federal grants		22,792		22,792	220,143	242,935	
Property tax collections					120,733	120,733	
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 205,942	\$ 18,950	\$ 224,892	\$ 193,876	\$ 418,768	\$ (564,819)
Cash flows from investing activities:							
Purchase of certificates of deposit					\$ (500,745)	\$ (500,745)	
Redemption of certificates of deposit					150,000	150,000	
Interest earned					9,475	9,475	\$ 62,752
Net Cash Provided by (Used in) Investing Activities	\$ 0	\$ 0	\$ 0	\$ 0	\$ (341,270)	\$ (341,270)	\$ 62,752
Net Increase (Decrease) in Cash and Temporary Investments	\$ 157,495	\$ 24,805	\$ 12,119	\$ 36,924	\$ (96,769)	\$ 97,650	\$ (308,947)
Cash and temporary investments at January 1, 2005	462,374	(10,304)	100,550	90,246	347,724	900,344	2,416,883
CASH AND TEMPORARY INVESTMENTS							
AT DECEMBER 31, 2005	\$ 619,869	\$ 14,501	\$ 112,669	\$ 127,170	\$ 250,955	\$ 997,994	\$ 2,107,936

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:							
Operating income (loss)	\$ (15,999)	\$ (337,529)	\$ (123,359)	\$ (460,888)	\$ (77,911)	\$ (554,798)	\$ 212,047
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	\$ 226,824	\$ 177,457	\$ 49,742	\$ 227,199	\$ 142,471	\$ 596,494	
Interest expense			1,652	1,652		1,652	
Provision for bad debts	8,171					8,171	
Repairs and maintenance financed by grant awards administered by State of Michigan			79,325	79,325		79,325	
(Increase) decrease in current assets:							
Accounts receivable	(82,183)	(19,448)		(19,448)	(2,122)	(103,753)	\$ (18,927)
Inventories	(9,478)	(14,229)		(14,229)		(23,707)	
Prepaid expenses	73,107					73,107	
Due from other funds					(225)	(225)	
Increase (decrease) in current liabilities:							
Accounts payable and due to other funds	55,225	16,225		16,225	7,384	78,834	
Accrued liabilities	(8,633)	14,027		14,027	428	5,822	
Total adjustments	\$ 263,033	\$ 174,032	\$ 130,719	\$ 304,751	\$ 147,936	\$ 715,720	\$ (18,927)

Net Cash Provided by
(Used in) Operating Activities

\$ 247,034 \$ (163,497) \$ 7,360 \$ (156,137) \$ 70,025 \$ 160,922 \$ 193,120

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest

\$ 1,652 \$ 1,652

Noncash capital and related financing activities:

Construction project financed by grant awards
administered by State of Michigan

\$ 22,235 \$ 22,235

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	Pension Trust Fund	Agency Funds
ASSETS		
Temporary investments	\$ 1,082,701	\$ 1,256,271
Investments	32,371,865	
Accrued interest receivable	99,860	
Accounts receivable	<u>7,198</u>	
Total Assets	<u>\$ 33,561,624</u>	<u>\$ 1,256,271</u>
LIABILITIES		
Due State of Michigan		\$ 5,424
Due other funds		3,046
Undistributed receipts		558,101
Undistributed tax collections		<u>689,700</u>
Total Liabilities		<u>\$ 1,256,271</u>
NET ASSETS		
Net assets held in trust for pension benefits	<u>\$ 33,561,624</u>	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

Additions:

Contributions:

Contributions from other funds	\$	1,044,009
Employee contributions		299,145
Employee buyback contributions		<u>7,500</u>

Total Contributions \$ 1,350,654

Investment income:

Net change in fair value of investments	\$	(104,248)
Interest, dividends and other investment gains		<u>1,845,627</u>
	\$	1,741,379
Less investment expense		<u>78,408</u>
		<u>1,662,971</u>

Total Additions \$ 3,013,625

Deductions:

Retirement benefits	\$	1,240,581
Refunds		59,353
Administrative expense		<u>100,660</u>
		<u>1,400,594</u>

Net Increase \$ 1,613,031

Net assets held in trust for pension benefits at
January 1, 2005

31,948,593

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS AT DECEMBER 31, 2005 \$ 33,561,624

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Component Unit Total
ASSETS					
Cash	\$ 182	\$ 23,523	\$ 86,917	\$ 86,402	\$ 197,024
Investments	742,850				742,850
Receivables:					
Accounts	8,264	133,449			141,713
State of Michigan	813,604	68,594	185,152		1,067,350
Notes				93,715	93,715
Allowances for uncollectible accounts		(2,500)		(50,000)	(52,500)
Inventory	547,982				547,982
Prepaid expenditures	47,076	290,343	14,218		351,637
Total Current Assets	\$ 2,159,958	\$ 513,409	\$ 286,287	\$ 130,117	\$ 3,089,771
Non Current Assets:					
Land, buildings, equipment and infrastructure	\$ 12,654,698	\$ 3,460,496	\$ 162,468		\$ 16,277,662
Less: Accumulated depreciation	(5,437,415)	(1,270,071)	(115,903)		(6,823,389)
Reserved cash		281,350			281,350
Total Non Current Assets	\$ 7,217,283	\$ 2,471,775	\$ 46,565		\$ 9,735,623
Total Assets	\$ 9,377,241	\$ 2,985,184	\$ 332,852	\$ 130,117	\$ 12,825,394
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 15,037	\$ 217,456	\$ 170,608		\$ 403,101
Salaries, wages and related liabilities	91,642	73,963	65,942		231,547
Due State of Michigan	38,540	26,919	22,064		87,523
Advances:					
State of Michigan	176,372				176,372
Other	48,803				48,803
Interest payable		40,459			40,459
Deferred revenue	410,257	12,980	27,673		450,910
Current portion of long-term liabilities		154,778			154,778
Total Current Liabilities	\$ 780,651	\$ 526,555	\$ 286,287	\$ 0	\$ 1,593,493
Non Current Liabilities:					
Compensated absences	\$ 320,344	\$ 250,542	\$ 18,126		\$ 589,012
Capital lease/revenue bonds payable		1,635,000			1,635,000
Unamortized deferred amount on capital lease restatement		(108,292)			(108,292)
Note payable to bank		60,334			60,334
Less current portion		(154,778)			(154,778)
Total Non Current Liabilities	\$ 320,344	\$ 1,682,806	\$ 18,126	\$ 0	\$ 2,021,276
Total Liabilities	\$ 1,100,995	\$ 2,209,361	\$ 304,413	\$ 0	\$ 3,614,769

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS (CONTINUED)

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Component Unit Total
NET ASSETS					
Net Assets:					
Invested in capital assets, net of related debt	\$ 7,217,283	\$ 603,383	\$ 46,565		\$ 7,867,231
Restricted for employee benefits net of related liabilities		30,808			30,808
Restricted for long-term portion of notes receivable				\$ 39,715	39,715
Unrestricted (deficit)	<u>1,058,963</u>	<u>141,632</u>	<u>(18,126)</u>	<u>90,402</u>	<u>1,272,871</u>
Total Net Assets	<u>\$ 8,276,246</u>	<u>\$ 775,823</u>	<u>\$ 28,439</u>	<u>\$ 130,117</u>	<u>\$ 9,210,625</u>

NOTES:

The date for the balance sheet of Community Mental Health Authority is September 30, 2005.

The date for the balance sheet of Western U.P. Manpower Consortium is June 30, 2005.

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF ACTIVITIES - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Totals
Expenses:					
Public works	\$ 5,467,798				\$ 5,467,798
Health and welfare		\$ 5,806,197	\$ 1,878,474	\$ 2,454	7,687,125
Interest on long-term debt		108,123			108,123
Total Expenses	\$ 5,467,798	\$ 5,914,320	\$ 1,878,474	\$ 2,454	\$ 13,263,046
Program revenues:					
Charges for services	\$ 1,000,264	\$ 472,609			\$ 1,472,873
Operating grants and contributions	3,607,376	79,142	\$ 1,899,324		5,585,842
Capital grants and contributions	2,272,086				2,272,086
Total Program Revenues	\$ 6,879,726	\$ 551,751	\$ 1,899,324	\$ 0	\$ 9,330,801
Net (Expense) Revenue	\$ 1,411,928	\$ (5,362,569)	\$ 20,850	\$ (2,454)	\$ (3,932,245)
General revenues:					
State grants		\$ 831,468			\$ 831,468
Medicaid not restricted		4,392,954			4,392,954
Transfer from Gogebic County		139,250			139,250
Interest and rents	\$ 24,768	18,845		\$ 4,238	47,851
Other revenues		30,285			30,285
Total General Revenues	\$ 24,768	\$ 5,412,802	\$ 0	\$ 4,238	\$ 5,441,808
Gain on disposal of assets	42,644				42,644
Transfer out				(9,000)	(9,000)
Change in Net Assets	\$ 1,479,340	\$ 50,233	\$ 20,850	\$ (7,216)	\$ 1,543,207
Net assets at beginning of year	6,796,906	725,590	7,589	137,333	7,667,418
NET ASSETS AT END OF YEAR	\$ 8,276,246	\$ 775,823	\$ 28,439	\$ 130,117	\$ 9,210,625

NOTES:

The fiscal year of Community Mental Health Authority is October 1, 2004 to September 30, 2005.

The fiscal year of Western U.P. Manpower Consortium is July 1, 2004 to June 30, 2005.

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gogebic County operates under an elected Board of Commissioners. The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

The financial statements of the reporting entity include those of Gogebic County (the primary government) and its component units as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the County's reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the County. These component units are reported in a separate column to emphasize that they are legally separate from the County. A combining statement of net assets and statement of activities for these discretely presented component units are included as a part of the basic financial statements.

Gogebic County Road Commission - The members of the governing Board of Road Commissioners are appointed by the County Board. The Road Commission is fiscally dependent on the County because the County must approve taxes levied and approve bonded debt. Separate financial statements for the Road Commission may be obtained at its administrative office at North Moore Street, Bessemer, Michigan 49911.

Community Mental Health Authority - Community Mental Health Authority originally began as Gogebic County Community Mental Health Board (the Board) and was organized by Gogebic County to provide mental health services to Gogebic County residents under State of Michigan Public Act 258 of 1974, as amended by Public Act 290 of 1995. On April 24, 2002, under the authority of the same Public Acts the Gogebic County Board of Commissioners duly adopted various resolutions changing the Board's status to that of an Authority and the name to Community Mental Health Authority (the Authority). The resolutions were filed with the State of Michigan and became effective on April 29, 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Authority continued to operate under the contract the Board originally set up with the Michigan Department of Community Health and the same administrative board consisting of twelve members appointed by the Gogebic County Board of Commissioners. The financial statements and related notes reflect the operations of the Authority for the fiscal year ended September 30, 2005.

The Authority is considered a component unit of Gogebic County, Michigan due to the Gogebic County Board of Commissioners continuing to appoint the Authority's Administrative Board, the Authority continuing to be a part of Gogebic County, Michigan's retirement plan and in the event of dissolution, some of the Authority's assets will be transferred to Gogebic County, Michigan. Separate financial statements for the Authority may be obtained at its administrative office at 103 West US 2, Wakefield, Michigan 49968.

Western Upper Peninsula Manpower Consortium - Western Upper Peninsula Manpower Consortium (the Consortium) was originally created under Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, had also administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton and Crystal Falls, Michigan.

The members of the governing board of the Consortium are appointed by member counties. The Gogebic County Treasurer is the depository for all monetary transactions involving the Consortium. Employees of the Consortium are considered to be Gogebic County employees and are members of the Gogebic County Employees' Retirement System. Gogebic County provides no financial assistance to the Consortium. Separate financial statements for the Consortium may be obtained at its administrative office at 100 West Cloverland Drive, Ironwood, Michigan 49938. The financial statements of the Consortium are presented on its fiscal year of July 1, 2004 to June 30, 2005.

Economic Development Corporation - The majority of the members of the governing board are appointed by the County Board of Commissioners. The Economic Development Corporation (EDC) is a legally separate nonprofit corporation established pursuant to the provisions of Michigan Public Act 338 of 1974, as amended. The County Board has the ability to modify or approve the budget of the EDC. The EDC may not issue debt without County Board approval. Separate financial statements for the EDC are not prepared and are not available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The component units discussed below are included in the County's reporting entity as blended component units because the County believes its financial statements would be misleading if the data were not included.

Economic Development Commission - The Economic Development Commission was established pursuant to Michigan Public Act 46 of 1966 and is governed by a board appointed by the County Board. The Economic Development Commission is reported as a special revenue fund of the County because its sole purpose is to finance economic development projects within the County.

Gogebic County Transit - Gogebic County Transit is a separate legal entity and is administered by an elected board. The Transit Board may not issue debt. The Transit taxes are levied under the taxing authority of the Gogebic County Board, as approved by the Gogebic County electors, and are included as a part of the County's total tax levy and are reported in the Gogebic County Transit Fund. The financial statements of the Transit are presented using their fiscal year ended September 30, 2005.

The financial statements of certain other governmental organizations, as set forth below, are not included in the financial statements of the County in accordance with generally accepted accounting principles.

Gogebic County is a member of the Western Upper Peninsula District Health Department, and all of the financial transactions thereof are recorded in the records of another county and are therefore not included in the financial statements of Gogebic County. The Health Department provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw counties. Each of the counties is required to contribute financial resources on an annual basis sufficient to eliminate any operating deficits and to provide for retirement of long-term debt. Gogebic County is responsible for approximately 21% of such annual contributions. Gogebic County's 2005 appropriation to the Health Department was \$101,884. Separate financial statements of the Western Upper Peninsula District Health Department may be obtained at the administrative office at 540 Depot Street, Houghton, Michigan 49931.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Health Department as of and for the year ended September 30, 2005, follows:

Total assets	<u>\$ 2,670,569</u>
Total liabilities, including general long-term debt of \$639,823	<u>\$ 1,177,852</u>
Net assets	<u>\$ 1,492,717</u>
Total revenues	\$ 5,916,086
Total expenditures	(6,147,337)
Contributions from local units and operating transfer from primary government	<u>399,548</u>
Excess of revenues	\$ 168,297
Fund balance at October 1, 2004	<u>1,324,420</u>
Fund balance at September 30, 2005	<u>\$ 1,492,717</u>

The financial statements of the Community Development Block Grant Fund are included in the financial statements of the County as a special revenue fund. The County passes federal block grant monies to Gogebic-Ontonagon Community Action Agency (the Agency), a subrecipient of the grant monies and a separate governmental entity. The Agency administers various governmental programs for the low income and elderly population in a two-county region in the western Upper Peninsula of Michigan. The Agency's activities are funded primarily by federal and state grants awarded to it by the Michigan Family Independence Agency, Upper Peninsula Commission for Area Progress (UPCAP), U.S. Department of Agriculture, and U.S. Department of Health and Human Services. The financial statements of Gogebic-Ontonagon Community Action Agency are not included in the financial statements of the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Agency as of and for its fiscal year ended September 30, 2005, follows:

Total assets		<u>\$ 741,004</u>
Total liabilities		<u>\$ 476,682</u>
Total net assets		<u>\$ 264,322</u>
Total support and revenues		\$ 3,900,141
Total expenses		<u>(3,908,436)</u>
Change in net assets		\$ (8,295)
Net assets at October 1, 2004, as previously stated	\$ 38,624	
Cumulative effect of capitalizing fixed assets and related depreciation	<u>233,993</u>	<u>272,617</u>
Net assets at September 30, 2005		<u>\$ 264,322</u>

Separate financial statements of the Agency may be obtained at the administrative office at 320 East Aurora Street, Ironwood, Michigan 49938.

Under terms of a reorganization agreement among the County of Gogebic, Grand View Hospital, Gogebic County Hospital Finance Authority and North Community Healthcare, Inc. (now Grand View Health System, Inc.), effective January 1, 1990, all assets of Grand View Hospital (except building, improvements and fixtures), liabilities and contract rights of the Hospital were transferred to North Community Healthcare, Inc. (the Corporation).

Building, improvements and fixtures were conveyed to Gogebic County Hospital Finance Authority. The County and the Authority have entered into a lease purchase agreement with the Corporation. Under the terms of that agreement, the Corporation agreed to pay Gogebic County General Obligation Hospital Bonds issued in 1967 (now paid in full), agreed to provide up to \$12,000 annually in services to the County Health Department, and up to \$3,000 annually of services to uninsured County prisoners and provide care to indigent patients. According to a memorandum of termination of lease, the lease purchase agreement expired January 1, 2005. According to the termination agreement, all covenants and obligations of the Corporation were no longer in force as of January 1, 2005. A quitclaim deed dated June 15, 2005, was recorded transferring all property to Grand View Health System, Inc. from the Authority.

The financial statements of Grand View Health System, Inc. and Gogebic County Hospital Finance Authority are not included in the financial statements of Gogebic County. There were no financial transactions between Gogebic County and Grand View Health System, Inc. for the year ended December 31, 2005.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the County except for the fiduciary activities. All of the County's activities are considered to be governmental activities, business-type activities or component units. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental business-type activities, component units as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The County reports the following major funds:

General Fund - the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Medical Care Facility - used to account for the financial transactions of the Gogebic Medical Care Facility.

Airport Operating Fund - used to account for the financial transactions of the Gogebic-Iron County Airport.

All other funds are considered to be nonmajor. They include:

Special Revenue Funds - are used by the County to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or for activities where periodic measurement of net income is appropriate for capital maintenance, public policies, management control or other purposes.

Internal Service Funds - Internal Service Funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the County's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the County provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, state and federal grant revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The County considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues, fees and nontax revenues are recognized when received. Property tax revenues are recognized as revenue on January 1 of the year after being levied, when monies are available for use to finance County operations, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary and Fiduciary Financial Statements

Proprietary fund types and Pension Trust Fund use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the County applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Granting of Credit

The General Fund grants credit to the State of Michigan and various local units of government in the western Upper Peninsula of Michigan.

Community Mental Health Authority (a component unit) and Medical Care Facility record patient service revenue at established rates. Each has an agreement with third-party payors, which provide for reimbursement of patient service revenue at amounts different from established rates. The primary third-party payors are Medicare and Medicaid. Accounts receivable from patients include amounts due from Medicare and Medicaid.

Airport Operating Fund grants credit to various customers for storage facility space and fuel. Gogebic County Transit grants credit to several local community governmental agencies. Gogebic County Forestry Commission grants credit to several timber purchasers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Granting of Credit (Continued)

County Road Commission (a component unit) grants credit to various customers for various types of services performed. Included among its customers are several local units of government.

Community Development Block Grant Fund and Economic Development Corporation (a component unit) grant credit in the form of notes receivable to individuals and local corporations.

Budgets

Formal budgetary accounting is employed as a management control for all funds of the County; however, legal budgets are adopted only for the General, Debt Service and Special Revenue Funds. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

The County follows these procedures in establishing budgetary data shown in the financial statements:

1. Prior to January 1, the County Administrator submits to the County Board of Commissioners a proposed operating budget for the year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayers' comments.
3. Prior to January 1, the budget is legally enacted by the County Board of Commissioners by passage of the General Appropriations Act. The budget expires on December 31 of the budget year.
4. Any revisions to the budgeted amounts must be approved by the County Board of Commissioners.
5. Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles at the activity level for the General Fund and at the functional level for Debt Service and Special Revenue Funds.
6. Budgeted amounts are as originally adopted plus amendments made on or before December 31 by the County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

7. The budget for the County Road Commission (a component unit) is adopted and administered by the Board of County Road Commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to report actual revenues and expenditures. The budget for Community Mental Health Authority (a component unit) is adopted and administered by the Gogebic County Mental Health Board and is budgeted on a program basis.

Cash

Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Interest Receivable

Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories

Inventories of the Medical Care Facility (an Enterprise Fund) are stated at the lower of cost or market; cost is determined by the first-in, first-out method. Inventories of the County Road Commission (a component unit) are stated at cost as determined by the moving-average method.

Payments for immaterial supplies for other funds are recorded as expenditures or expenses at the time of purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment, vehicles and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the Government-wide financial statements. Capital assets are defined by the County and its component units as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$20,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for the function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
Vehicles	5-10 years
Roads	5-30 years
Other infrastructure	12-50 years

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the Government-wide Statement of Net Assets.

Long-Term Obligations

The County reports long-term debt and other long-term obligations in the Government-wide Statement of Net Assets. Amounts are recorded at face value along with any accrued interest to December 31, 2005.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the County that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Balance

In the fund-based financial statements, the unreserved fund balances represent the amount available for budgeting future operations. The reserved fund balances represent the tentative and required plans for future use of financial resources.

Pensions

The provision for pension cost is recorded on an accrual basis, and the County's policy is to fund pension costs as they accrue.

Property Tax Revenues, Taxes Receivable and Deferred Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The County records property taxes as a receivable and deferred revenue on December 1; the property taxes are then recognized as revenue on January 1 of the following year, when monies are available for use to finance County operations. The County purchases delinquent real property taxes of the County and all local units annually.

Starting December 1, 2004, the State required the County to start a new fund called Revenue Sharing Reserve Fund. All taxes collected in December 2004 for the December 1, 2004 tax levy were deposited into this fund. In 2005, additional tax collections were deposited into this fund until the total deposits equal one-third of the general tax levy for December 1, 2004. Tax collections from the December 1, 2005 tax levy, due to this fund, are to equal one-third of the general tax levy for December 1, 2004. The County deposited this amount in 2006 into this fund. The third and final year for these deposits will be from the December 1, 2006 tax levy. These deposits will also be equal to one-third of the general tax levy for December 1, 2004. Withdrawals from this new fund are limited to an amount determined by the State. This amount is based upon what the State shared revenue would have been, had this funding not been discontinued.

Vacation, Sick Leave and Other Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

There were no accumulated fund-balance/retained-earnings deficits in any individual funds as of December 31, 2005.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2005, Gogebic County had excesses of expenditures over appropriations in the following functional areas:

	<u>Budget</u>	<u>Actual</u>	(Unfavorable) <u>Variance</u>
General Fund -			
Capital outlay	\$ 160,575	\$ 203,882	\$ (43,307)
Special Revenue Funds -			
Capital outlay	\$ 17,650	\$ 159,802	\$ (142,152)

NOTE C - PROPERTY TAX INFORMATION

A summary of current property taxes levied on December 1, 2005, follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxable Valuation</u>
General operating	6.5998	\$ 2,555,780	
Gogebic County Transit	0.3293	127,522	
Animal control	0.1922	74,430	
Medical Care Facility - Maintenance of Effort	0.4648	179,994	
Senior Programs	0.5928	229,562	
TOTALS	8.1789	\$ 3,167,288	\$ 387,251,148

NOTE D - RISK MANAGEMENT

General County Operations

Gogebic County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for medical benefits claims and participates as a member in the Michigan Municipal Risk Management Authority (the Pool) for claims relating to general liability, excess liability, auto liability, truckline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation.

The Pool operates as a public entity risk-sharing pool providing property and liability coverage to participating members for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The County is sharing risk with the other members of the Pool and has a self-insurance retention, excess of deductibles, of up to \$75,000. The deductible is \$1,000 per occurrence for auto, property and crime losses. The Pool provides, after the self-insurance retention, reinsurance up to \$10,000,000 of occurrence-based casualty coverage and property coverage for each incident by internally assuming risks and reinsuring risks through commercial companies.

Community Mental Health Authority

The Community Mental Health Authority (Authority) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk by purchasing insurance coverage through Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. MMRMA is created by authority granted by the laws of the State of Michigan to provide risk financing and risk management services to eligible Michigan local governments. MMRMA is a separate legal and administrative entity as permitted by Michigan laws. The Authority is eligible to be a member of MMRMA.

Coverage limits vary depending upon the type of claim. Coverage limits can be found in the Coverage Overview Document and are generally up to \$10,000,000 of occurrence-based casualty coverage for each incident and up to \$4,612,259 of occurrence-based property coverage.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT (CONTINUED)

Road Commission

The Road Commission is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission manages its risk by being a member of the Michigan County Road Commission Self-Insurance Pool (the Pool), a public entity risk pool providing general liability, auto, property and crime insurance coverage to its participating members and also by being a member of the County Road Association Self-Insurance Fund (the Fund), a public entity risk pool providing workers' compensation coverage to its participating members. The Road Commission is sharing risks with other members of the pools and pays an annual premium to each pool for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability	\$10,500,000	\$1,000
Physical damage:		
Building Ordinance Coverage	1,000,000	500
Property in Transit	50,000	500
At Unnamed Locations	10,000	500
Crime	25,000	1,000
Workers' compensation	Statutory limits	0

The pools provide this coverage to members by internally assuming risks and reinsuring risks through commercial companies. The Pool has reinsurance up to \$10,500,000 and the Fund has reinsurance up to \$10,000,000.

Share of Losses

The County's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The County Board, Community Mental Health Authority and Road Commission estimate that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

The County Board, Community Mental Health Authority and Road Commission carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - GOGEBIC COUNTY HOSPITAL FINANCE AUTHORITY

As explained in Note A to the financial statements, the operation of Grand View Hospital was transferred by Gogebic County to North Community Healthcare, Inc., a nonprofit corporation (the Corporation), effective January 1, 1990. North Community Healthcare, Inc. has since changed its name to Grand View Health System, Inc.

During the year ended December 31, 1991, Gogebic County Hospital Finance Authority issued hospital revenue bonds to finance construction of additional hospital facilities. The Hospital Finance Authority remitted the proceeds from the hospital revenue bonds to the Corporation. During the year ended December 31, 1999, these bonds were refinanced and replaced with Series 1999 revenue bonds.

Following is a summary relating to outstanding hospital revenue bonds at December 31, 2005, as presented in the financial statements of Grand View Health System, Inc.:

Hospital revenue bonds, Series 1999 – 5% to 5.875% revenue bonds; interest is payable in semiannual installments, principal is due in increasing annual installments ranging from \$240,000 in 2006 to \$410,000 in 2016; collateralized by the gross receipts of the Hospital, a mortgage on substantially all real property and fixtures thereon and certain monies held in a bond reserve account. The bonds are subject to specific sinking fund installments and to special redemption provisions.

\$3,475,000

Under provisions provided for in the several agreements, the debt is not presented as an obligation of Gogebic County in its statement of net assets. The debt constitutes limited obligations of Gogebic County Hospital Finance Authority, payable solely by the Corporation to Gogebic County Hospital Finance Authority as required by the agreements. The Hospital revenue bonds are subject to a mortgage lien and are further collateralized by a pledge of Hospital gross receipts. The Hospital revenue bonds do not represent a general obligation of Gogebic County or of the Hospital Finance Authority; they are presented as a liability in the financial statements of the Corporation.

NOTE F - CASH AND INVESTMENT INFORMATION

Cash

The County Treasurer is the depository agent for cash balances of the various funds. These cash balances are combined for investment purposes, and a detailed accounting of cash balances allocable to the various funds is maintained by the County Treasurer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION

Cash (Continued)

Deposits were made in accordance with State of Michigan statutes and under authorization of the County Board of Commissioners. The carrying amount of deposits and cash on hand is separately displayed on the balance sheet as "Cash". For purposes of the Statement of Cash Flows - Proprietary Fund Types, cash includes cash and investments in money market and municipal investment funds. Following is a summary of the carrying amount of cash (which is substantially equal to the bank balances) at December 31, 2005:

	Primary <u>Government</u>	Discretely Presented Component <u>Units</u>	<u>Total</u>
Cash on Hand and Deposits:			
Cash on hand	\$ 1,200		\$ 1,200
Deposits in banks insured by federal depository insurance:			
Insured (FDIC)	704,493	\$ 100,000	804,493
Uncollateralized and uninsured	<u>3,482,595</u>	<u>378,374</u>	<u>3,860,969</u>
	<u>\$ 4,188,288</u>	<u>\$ 478,374</u>	<u>\$ 4,666,662</u>

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with investment policies adopted by the County Board complying with State Statutes and the County Charter.

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

Under the County policy, the County may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the County's desired maturity or is a variable rate instrument.

Interest Rate Risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The County policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Concentration of Credit Risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. Cumulatively, portfolios of the County may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total County portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities are excluded from these restrictions.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities in the possession of an outside party. County policy provides that investment collateral is held by a third party custodian with whom the County has a current custodial agreement in the County's name.

Investment policies provide for investment managers who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the respective governing boards. Any changes in the investment management firm must be reported as they occur.

The County's retirement system's investments are held in book-entry form by the investment fiduciary, Wells Fargo Bank of Marquette, Michigan. Michigan Compiled Laws, Section 38.1132, authorizes the County retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, annuity contracts obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The County's deposits and investments are in accordance with statutory authority.

Investments of the governmental and proprietary fund types include only dollar denominated money market and municipal investment funds and bank certificates of deposit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

Investments of the Pension Trust Fund are stated for financial-statement purposes as follows:

U.S. Treasury and Agency securities, domestic stocks, domestic and international bonds, and equity mutual funds are reported at fair market value. Interest is credited to investment income as received by or accrued and reported to the County by the investment trustee. Money market funds are reported at carrying value, which equals fair market value.

The County's investments are summarized below by investment type and Fund. All Pension Trust Fund investments are insured or registered or for which the securities are held by the County or its agent in the County's name.

The County does not have available to it the average credit quality rating and weighted average to maturity for disclosure.

	<u>Fair Market Value</u>
<u>PRIMARY GOVERNMENT</u>	
<u>Investment Type</u>	
Pension Trust Fund:	
U.S. Treasury and agency obligations	\$ 3,617,650
Domestic stocks	20,740,557
Domestic corporate bonds	2,960,988
Mortgage/asset-backed securities	5,052,670
Money market funds	<u>1,082,701</u>
Total Pension Investments	\$ 33,454,566
All Other Primary Government Fund Types -	
Certificates of deposit and money market and municipal investment funds	<u>504,061</u>
Total Primary Government Investments	\$ 33,958,627
Agency Funds -	
Money market and municipal investment funds	1,256,271
<u>COMPONENT UNITS</u>	
Money market and municipal investment funds	<u>742,850</u>
	<u>\$ 35,957,748</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

The Employees' Retirement System Fund had net assets of \$33,561,624 held in trust for pension benefits at December 31, 2005. Other than U.S. Government obligations, investments which represented more than five percent of the net assets available for benefits were collateralized mortgage obligation trusts totaling \$5,052,670 at December 31, 2005.

There were no investments in, loans to, or leases with parties related to the pension plan.

NOTE G - RECEIVABLES INFORMATION

Accounts Receivable

Balance of accounts receivable at December 31, 2005, follows:

Primary government:

Medical Care Facility (net of \$10,000 allowance)	\$ 617,425
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Component units:

Road Commission	\$ 8,264
Community Mental Health Authority (net of \$5,000 allowance)	<u>130,949</u>
	<u>139,213</u>
	<u>\$ 756,638</u>

Taxes Receivable - Delinquent

General Fund - Taxes Receivable includes the current 2005 levy of \$2,810,204 (net of taxes collected during the month of December 2005) and delinquent personal property taxes of \$70,994.

Enterprise Fund and Internal Service Fund - Taxes Receivable consist of delinquent personal property taxes for Gogebic County Transit of \$1,265 and \$579,173 of unpaid delinquent real property taxes which were purchased from all of the taxing units in Gogebic County by the County's Delinquent Tax Revolving Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RECEIVABLES INFORMATION (CONTINUED)

Allowances for Uncollectibles

Allowances for uncollectibles total \$10,000 in Enterprise Funds and \$2,500 in Component Units. Component units also include an allowance for uncollectible portion of notes receivable of \$50,000. Allowances in other funds are not considered to be material in amount.

Notes Receivable

Following is a summary of monies the County has loaned to local corporations and to individuals to be used for additions and improvements to industrial facilities and housing:

	<u>Balance at December 31, 2005</u>
Primary Government:	
Various interest rate loans to individuals, due in varying monthly installments, including interest, payable in full at varying dates, the latest being October 2, 2008.	\$ 45,031
Component Unit:	
7.5% loan to local corporation, due in monthly installments of \$594, including interest, payable in full on April 1, 2014.	\$ 43,715
5.0% loan to local corporation, due in monthly installments of \$1,888, including interest, was payable in full on July 25, 2005. No principal payments were received since loan origination in year 2000.	50,000
	\$ 93,715
Less allowances for uncollectible portion	(50,000)
	Total Component Unit
	\$ 43,715
	TOTAL
	\$ 88,746

The County is accounting for the notes receivable in its Community Development Block Grant Fund and in its Economic Development Corporation. Principal and interest collected on the block grant loans to individuals are restricted for future block grant housing improvements. Principal and interest collected on the economic development loans to local corporations are restricted for economic development purposes. The Economic Development Corporation has adopted an economic development plan which allows for spending of the monies.

The Economic Development Corporation entered a default judgment against the local corporation in Michigan and Wisconsin in the amount of \$50,000, plus interest, other costs and attorney fees and interest continues to accrue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Certain employees of Gogebic County are covered by collective bargaining agreements. General courthouse employees other than elected and appointed officials, employees of the Road Commission, police officers and employees of the Medical Care Facility each have their own collective bargaining agreements. Some of these agreements are scheduled for expiration within the next year or have already expired.

The Gogebic County Airport services the Gogebic County, Michigan and Iron County, Wisconsin, market areas. One airline company provides essential airline service to the airport.

Gogebic County Medical Care Facility provides nursing service to patients, most of whom are covered by Medicare and Medicaid.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables resulting from various interfund transactions were as follows at December 31, 2005:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Law Library	\$ 2,500	Library Penal Fine	\$ 2,500
Fair Board	546	Trust and Agency	546
	<u>\$ 3,046</u>		<u>\$ 3,046</u>

NOTE J - INTERFUND TRANSFERS

Transfers of cash between the various County funds are budgeted and reported separately from revenues and expenditures as operating transfers in (out). A summary of net interfund transfers for the year ended December 31, 2005, follows:

	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>
Operating transfers:		
General Fund	\$ 974,217	\$ 567,100
Special revenue funds	277,000	311,898
Enterprise funds	202,100	147,000
Internal service funds	150,000	714,819
Community Mental Health Authority	139,250	
Economic Development Corporation		9,000
Difference - Component Unit with September 30, 2005 year end	<u>7,250</u>	
Total Operating Transfers	<u>\$ 1,749,817</u>	<u>\$ 1,749,817</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RESTRICTED NET ASSETS

Following is a summary of restricted portions of fund balance for individual funds at December 31, 2005:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Reserve</u>
Primary Government:		
General	Maintenance of effort tax collections	\$ 48,746
Special Revenue:		
Community Development Block Grant Fund	Long-term portion of notes receivable	14,725
Debt Service	Debt service	<u>154</u>
		\$ 63,625
Proprietary:		
Forest and Parks Commission	Roads	\$ 25,000
Gogebic County Transit	Future unemployment claims	3,369
Medical Care Facility	Capital projects/residential activities	<u>868</u>
		\$ 29,237
		<u>\$ 92,862</u>
Component Units:		
Economic Development Corporation	Long-term portion of notes receivable	\$ 39,715
Community Mental Health Authority	Employee benefits	<u>30,808</u>
		<u>\$ 70,523</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS

Changes in governmental activities, business-type activities and component unit capital assets are summarized below:

	Balance at January 1, 2005	Additions	Disposals	Balance December 31, 2005
<u>Governmental Activities</u>				
General:				
Land	\$ 25,000			\$ 25,000
Buildings	2,491,455	\$ 68,995		2,560,450
Furniture and fixtures	<u>1,479,986</u>	<u>294,696</u>	<u>\$ 295,601</u>	<u>1,479,081</u>
	\$ 3,996,441	\$ 363,691	\$ 295,601	\$ 4,064,531
Less accumulated depreciation	<u>2,532,274</u>	<u>133,135</u>	<u>272,188</u>	<u>2,393,221</u>
Total Governmental Activities	\$ 1,464,167	\$ 230,556	\$ 23,413	\$ 1,671,310
<u>Business-Type Activities</u>				
<u>Major Funds</u>				
Medical Care Facility:				
Land and improvements	\$ 238,525			\$ 238,525
Buildings	2,766,570			2,766,570
Equipment and vehicles	<u>992,052</u>	<u>\$ 61,905</u>		<u>1,053,957</u>
	\$ 3,997,147	\$ 61,905	\$ 0	\$ 4,059,052
Less accumulated depreciation	<u>2,317,458</u>	<u>226,824</u>		<u>2,544,282</u>
	\$ 1,679,689	\$ (164,919)	\$ 0	\$ 1,514,770
Airport - Operating:				
Land and improvements	\$ 7,123,769			\$ 7,123,769
Buildings	801,355	\$ 11,800		813,155
Equipment and vehicles	<u>601,069</u>	<u>5,840</u>	<u>\$ 5,660</u>	<u>601,249</u>
	\$ 8,526,193	\$ 17,640	\$ 5,660	\$ 8,538,173
Less accumulated depreciation	<u>6,807,462</u>	<u>177,457</u>	<u>3,840</u>	<u>6,981,079</u>
	\$ 1,718,731	\$ (159,817)	\$ 1,820	\$ 1,557,094

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, 2005	Additions	Disposals	Balance December 31, 2005
<u>Business-Type Activities (Continued)</u>				
<u>Major Funds (Continued)</u>				
Airport - Capital Improvement				
Buildings and fencing	\$ 755,173	\$ 22,235		\$ 777,408
Equipment and vehicles	<u>273,635</u>	<u>7,942</u>		<u>281,577</u>
	\$ 1,028,808	\$ 30,177	\$ 0	\$ 1,058,985
Less accumulated depreciation	<u>147,764</u>	<u>49,742</u>		<u>197,506</u>
	\$ 881,044	\$ (19,565)	\$ 0	\$ 861,479
<u>Nonmajor Funds:</u>				
Forestry Commission:				
Land and improvements	\$ 326,979			\$ 326,979
Buildings	163,294		\$ 9,086	154,208
Equipment and vehicles	<u>143,127</u>	\$ 20,000	<u>5,437</u>	<u>157,690</u>
	\$ 633,400	\$ 20,000	\$ 14,523	\$ 638,877
Less accumulated depreciation	<u>121,321</u>	<u>37,781</u>	<u>14,523</u>	<u>144,579</u>
	\$ 512,079	\$ (17,781)	\$ 0	\$ 494,298
Fair Board:				
Land and improvements	\$ 3,233			\$ 3,233
Buildings	775,626	\$ 6,400		782,026
Equipment and vehicles	<u>19,185</u>			<u>19,185</u>
	\$ 798,044	\$ 6,400	\$ 0	\$ 804,444
Less accumulated depreciation	<u>125,941</u>	<u>13,629</u>		<u>139,570</u>
	\$ 672,103	\$ (7,229)	\$ 0	\$ 664,874
Gogebic County Transit:				
Land and improvements	\$ 37,557			\$ 37,557
Buildings	541,123			541,123
Equipment and vehicles	<u>504,901</u>			<u>504,901</u>
	\$ 1,083,581	\$ 0	\$ 0	\$ 1,083,581
Less accumulated depreciation	<u>542,211</u>	<u>96,061</u>		<u>638,272</u>
	\$ 541,370	\$ (96,061)	\$ 0	\$ 445,309
Construction in progress	<u>111,546</u>	<u>41,340</u>		<u>152,886</u>
Total Business-Type Activities	\$ 6,116,562	\$ (424,032)	\$ 1,820	\$ 5,690,710
Total Primary Government	\$ 7,580,729	\$ (193,476)	\$ 25,233	\$ 7,362,020

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2005</u>
<u>Component Units</u>				
Gogebic County Road Commission:				
Land and improvements	\$ 1,617			\$ 1,617
Infrastructure	4,296,063	\$1,949,873		6,245,936
Buildings	793,534			793,534
Equipment	<u>5,554,675</u>	<u>322,213</u>	<u>\$ 263,277</u>	<u>5,613,611</u>
	\$10,645,889	\$2,272,086	\$ 263,277	\$12,654,698
Less accumulated depreciation	<u>5,180,674</u>	<u>520,018</u>	<u>263,277</u>	<u>5,437,415</u>
	\$ 5,465,215	\$1,752,068	\$ 0	\$ 7,217,283
Community Mental Health Authority:				
Land	\$ 4,128			\$ 4,128
Buildings	2,469,897			2,469,897
Furniture and fixtures	<u>965,236</u>	<u>\$ 35,100</u>	<u>\$ 13,865</u>	<u>986,471</u>
	\$ 3,439,261	\$ 35,100	\$ 13,865	\$ 3,460,496
Less accumulated depreciation	<u>1,151,447</u>	<u>132,489</u>	<u>13,865</u>	<u>1,270,071</u>
	\$ 2,287,814	\$ (97,389)	\$ 0	\$ 2,190,425
Western U.P. Manpower Consortium:				
Equipment	\$ 147,295	\$ 32,629	\$ 17,456	\$ 162,468
Less accumulated depreciation	<u>122,212</u>	<u>11,147</u>	<u>17,456</u>	<u>115,903</u>
	\$ 25,083	\$ 21,482	\$ 0	\$ 46,565
Total Component Units	<u>\$ 7,778,112</u>	<u>\$1,676,161</u>	<u>\$ 0</u>	<u>\$ 9,454,273</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – FIXED ASSETS (CONTINUED)

The Airport Capital Improvement had construction in progress of \$125,252 at December 31, 2005, consisting of two projects. \$111,546 is for preliminary costs for a possible future runway. The timetable and future cost for construction of this potential runway are not known. \$13,706 is for construction of a fuel tank base at the Airport. The fuel tank was purchased early in 2006 with the total project estimated to cost about \$75,000 and was funded by a bank loan.

The Medical Care Facility had construction in progress of \$27,634 at December 31, 2005. The Facility is remodeling its shower rooms. The total cost of the project is estimated to be \$45,000.

NOTE M - LONG-TERM DEBT

There are a number of limitations and restrictions contained in the various debt instruments. The County is in compliance with all significant limitations and restrictions.

The following is a summary of bond, note and installment debt transactions of the County for the year ended December 31, 2005:

	Bonds and Notes Payable at January 1, <u>2005</u>	New Debt <u>Incurred</u>	Debt <u>Retired</u>	Bonds and Notes Payable at December 31, <u>2005</u>
<u>Primary Government</u>				
General obligation indebtedness	\$ 495,000		\$ 60,000	\$ 435,000
Note payable to bank	<u>62,164</u>	<u>\$ 13,741</u>	<u>62,164</u>	<u>13,741</u>
Total Primary Government	\$ 557,164	\$ 13,741	\$ 122,164	\$ 448,741
<u>Component Units</u>				
Notes payable to bank	\$ 57,238	\$ 19,585	\$ 16,489	\$ 60,334
Capital lease payable	<u>1,620,000</u>	<u>115,000</u>	<u>100,000</u>	<u>1,635,000</u>
Total Component Units	\$ <u>1,677,238</u>	\$ <u>134,585</u>	\$ <u>116,489</u>	\$ <u>1,695,334</u>
	<u>\$ 2,234,402</u>	<u>\$ 148,326</u>	<u>\$ 238,653</u>	<u>\$ 2,144,075</u>

Total interest expense for the year was \$36,210 for the Primary Government and \$108,123 for the Component Unit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The Water Supply System and Sewage Disposal System bonds presented below were used to finance prior years' Department of Public Works capital outlay projects. The Water Supply and Sewage Disposal bonds were issued under the provisions of Act 185, Public Acts of Michigan, 1957, as amended. These bonds are payable primarily from the proceeds of certain specified contractual payments to be made to the County by the City of Ironwood, Michigan, pursuant to contracts referred to in the bonds.

The notes payable were used to finance a fuel tank at the airport, four automobiles and a Kubota tractor for the Mental Health Authority.

The following is a summary of the County's long-term debt outstanding as of December 31, 2005:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
<u>Primary Government</u>			
General obligation indebtedness:			
1990 Water Supply System Bonds	6.80-7.40%	2010	\$ 150,000
1991 Sewage Disposal System Bonds	6.90-7.10%	2011	<u>285,000</u>
Total General Obligation Indebtedness			\$ 435,000
Note payable to bank	3.60%	2007	<u>13,741</u>
Total Primary Government			\$ 448,741
<u>Component Units</u>			
Notes payable to bank	4.40%	2010	\$ 60,334
Capital lease payable	6.90-7.875%	2015	<u>1,635,000</u>
Total Component Units			\$ <u>1,695,334</u>
TOTAL LONG-TERM DEBT			\$ <u>2,144,075</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to maturity for all long-term indebtedness outstanding are as follows:

	Year ending December 31,					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011-2015</u>
<u>Primary Government</u>						
General obligation	\$ 96,154	\$ 96,528	\$ 96,528	\$ 96,145	\$ 96,145	\$ 159,304
Note payable to bank	<u>7,118</u>	<u>7,118</u>				
Total Primary Government	\$ 103,272	\$103,646	\$ 96,528	\$ 96,145	\$ 96,145	\$ 159,304
<u>Component Unit</u>						
Note payable to bank	\$ 18,927	\$ 20,649	\$ 19,212	\$ 4,371	\$ 1,821	
Capital lease payable	<u>206,950</u>	<u>205,081</u>	<u>204,181</u>	<u>203,081</u>	<u>206,681</u>	<u>\$ 986,641</u>
Total Component Unit	<u>\$ 225,877</u>	<u>\$225,730</u>	<u>\$223,393</u>	<u>\$207,452</u>	<u>\$208,502</u>	<u>\$ 986,641</u>
	<u>\$ 329,149</u>	<u>\$329,376</u>	<u>\$319,921</u>	<u>\$303,597</u>	<u>\$304,647</u>	<u>\$1,145,945</u>

NOTE N - COMMUNITY MENTAL HEALTH AUTHORITY BUILDING LEASE

During February 1995 the Authority entered into a 20-year lease with its component unit to lease a clinic and administrative operations building and a group home. The payments are to be sufficient to provide for the principal and interest due on the bonds issued by its component unit to construct the buildings. On February 28, 2005, this lease was updated as the component unit issued 2005 Revenue Refunding Bonds of \$1,635,000 and used the proceeds to refund the original bonds of \$1,520,000. The interest rates vary from 4% to 4.625%. The capital lease was restated accordingly, with the increase being reported as a deferred amount on capital lease restatement and is being amortized over the remaining term of the lease. At the end of the lease, the ownership of the buildings is to be turned over to Gogebic County, Michigan, with no financial obligation to the County and for the County to manage at its discretion. The principal value of the bonds has been capitalized and recorded as a capital asset. The required lease payments are sufficient to cover its component unit's principal and interest payment due on October 1 and April 1 of each year. The present value of the net minimum lease payments is equal to the total principal due on the bonds of the component unit. A summary of the annual payments follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N - COMMUNITY MENTAL HEALTH AUTHORITY BUILDING LEASE (CONTINUED)

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 135,000	\$ 71,950	\$ 206,950
2007	145,000	60,081	205,081
2008	150,000	54,181	204,181
2009	155,000	48,081	203,081
2010	165,000	41,681	206,681
2011	165,000	35,081	200,081
2012	170,000	28,275	198,275
2013	175,000	20,941	195,941
2014	185,000	12,950	197,950
2015	190,000	4,394	194,394
	<u>\$ 1,635,000</u>	<u>\$ 377,615</u>	<u>\$ 2,012,615</u>

NOTE O - OPERATING LEASES

During the year the Community Mental Health Authority leased buildings for various programs and paid \$25,495 under operating leases.

Western U.P. Manpower Consortium leases office space under various operating leases. Rent expense for 2005 was \$91,946. The Consortium also leases various buildings and equipment for specific programs on a short-term basis. Rent expense for these types of rental agreements is minimal.

Future minimum rental payments for each of the five years ending December 31, 2010, excluding payments on the Community Mental Health Authority building lease described in Note N above, are:

2006	\$25,359
2007	25,359
2008	25,359
2009	25,359
2010	936

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS

Under contracts negotiated with employees, individual employees have a vested right to receive payments for unused sick, personal and vacation leave. The dollar amount of these vested rights, which is recorded in the financial statements as a liability as of December 31, 2005, is \$594,993 for the primary government and \$589,012 for discretely presented component units.

Following is a summary of employment policies related to accumulated absences:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

General County Operations

Sick leave is earned in varying amounts depending upon union or nonunion employee status, is generally limited to 1 or 1-1/4 day for each completed monthly period of service and may generally be accumulated in unlimited amounts.

General County employees receive cash payment upon retirement of one-half of accumulated sick days at \$50 per day with an 80-day maximum payout. Certain appointed officials receive cash payment of one-half of accumulated sick days at current salary rates. The sick leave liability recorded in the financial statements represents only that amount that would be payable should an employee retire.

Vacation pay is not paid upon termination of employment. No liability for unused vacation pay is reported in the County's financial statements.

Community Mental Health Authority

The Community Mental Health Authority has a written policy providing for payment for sick, personal and vacation leave. All compensated absences are combined as Paid Time Off and the employees have the option of selling sick leave back to the Community Mental Health Authority or converting it to Paid Time Off at a ratio of two for one. Each employee's accumulated Paid Time Off is computed by applying current rates of pay times total accumulated hours, as limited by the policy. The total, \$250,542, is reported in the financial statements as a liability.

Gogebic County Transit

Gogebic County Transit has a written policy providing for payment of sick and vacation leave. Payment in lieu of accrued sick leave is limited to \$20 per day for one-half of accumulated leave days. Payment of vacation leave upon termination of employment is limited to thirty leave days. Each employee's accumulated vacation and sick pay is computed by applying his current rate of pay times total accumulated leave, subject to the limits. The total, \$15,698, is reported in the financial statements as a liability.

Road Commission

Road Commission employment policies provide that each full-time employee shall earn one day of sick leave credit for each month of service. Sick leave credits may be accumulated to a maximum of 120 days. Payment of 50% of accumulated benefits will be made when an employee dies, is discharged or laid off and 60% of benefits paid at normal retirement. 25% of accumulated benefits is made to an employee who voluntarily separates from employment with the Road Commission. The total, \$320,344, is reported in the financial statements as a liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

Western U.P. Manpower Consortium

Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The Consortium records expenditures for vacation at the time it is used or when paid out at the time of retirement. A liability of \$18,126 is recorded in the financial statements at December 31, 2005.

Post Employment Benefits

There were no post employment benefits, other than retirement benefits, available to employees of the County.

NOTE Q - RETIREMENT SYSTEM

Gogebic County administers a defined benefit pension plan--Gogebic County Employees Retirement System. The plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Summary of Significant Accounting Policies

Basis of Accounting - Gogebic County's retirement financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Plan Description and Contribution Information

Membership of the plan consisted of the following at December 31, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	183
Terminated plan members entitled to but not yet receiving benefits	22
Active plan members	<u>370</u>
Total	<u>\$75</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Retirement System Pension Plan

Plan Description - Retirement System is a single-employer defined benefit pension plan that covers the employees of Gogebic County, including all departments and agencies. Retirement System provides retirement, disability and death benefits to plan members and their beneficiaries. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the Board of Commissioners.

Member Contributions

General (hired prior to January 1, 1994, or hired after December 31, 1993, with five or more years of service), Medical Care Facility - AFSCME, Road Commission (with eight or more years of service) elected and appointed officials with five or more years of service and WPPA: none.

Community Mental Health: Residential and non-residential pays 6.2% of annual compensation.

General (hired between January 1, 1994 and July 1, 2004, and having less than five years of service) or hired after July 1, 2004, Elected and appointed officials (hired after January 1, 1994 and having less than five years of service), Airport (with less than 5 years of service or hired after July 1, 2004), Manpower, and Road Commission (with less than eight years of service), and Medical Care Facility (non-AFSCME): 3% of the first \$4,200 of annual compensation plus 5% of annual compensation in excess of \$4,200. Effective August 1, 2001, Airport employees contribute 1.0% and General employees contribute an additional 1.0%.

Regular Retirement

Eligibility:

Elected and Appointed Officials	Sum of age and years of service equal 80 with a minimum age of 55, or age 60 with 8 years of service
WPPA (Wisconsin Professional Police Association), Airport Group	Age 55 with 25 years of service, or age 60 with 8 years of service
Manpower Medical Care Facility SEIU Local 79 Community Mental Health	Sum of age and years of service equal 70, or age 60 with 8 years of service
Others	Age 55 with 30 years of service, or age 60 with 8 years of service

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Regular Retirement (Continued)

Annual Amount:

Medical Care Facility AFSCME, RN,
SEIU Local 79, Cooks,
Road Commission, Administrator,
Admin Staff and Manpower

Total credited service multiplied by 2.0% of
final average compensation (FAC)

Elected and Appointed Officials, WPPA
and Community Mental Health

Total credited service multiplied by 2.5% of
FAC

General County and Airport

Total credited service multiplied by 2.25%
of FAC

Others

Total credited service multiplied by 1.6% of
FAC

Maximum County-financed portion is 75% of final average compensation.

Type of Final Average Compensation – Generally, highest 5 consecutive years out of last 10 years of credited service, with the following exceptions:

General County members, WPPA, Community Mental Health and Medical Care Facility administrative staff use highest 3 consecutive years out of the last 10 years.

Road Commission members with 30 or more years of service use highest 3 consecutive years out of the last 5 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Deferred Retirement (vested benefit):

Eligibility - Eight years of service; 10 years of service for WPPA members hired after July 1, 2004. Benefit begins when member would have attained normal retirement age based on service at time of termination.

Annual Amount - Same as regular retirement but based upon service and final average compensation at time of termination.

The plan also provides benefits for both duty and non-duty disability and death.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(AAL) UAAL as a Percentage of Covered Payroll ((b - a) / c)
2002	\$29,369	\$29,615	\$246	99 %	\$11,211	2%
2003	30,727	32,290	1,563	95	11,134	14
2004	32,809	36,277	3,468	90	10,974	32

Year Ended December 31,	<u>Retirement System</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$936,487	100%
2003	929,986	100
2004	1,285,019	100

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Retirement System</u>
Valuation date	December 31, 2004
Actuarial cost method	Individual entry age
Amortization method for unfunded accrued liabilities	Level percent open
Remaining amortization period	30 years
Amortization method for temporary funding credits	Level percent open
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases, including inflation at 4.5%	4.5% - 9%
Cost-of-living adjustments	None

NOTE R - DEFINED CONTRIBUTION PENSION PLAN

All full-time employees of Gogebic County Transit are covered by a simplified employee pension plan administered by Transamerica Occidental Life. The Plan is a defined contribution plan covering all employees who are at least 21 years old and who have performed services for the Transit in at least three of the immediately preceding five years.

The Transit contributes 5 percent of each employee's annual wages. Employees do not make contributions to the Plan. All participants are fully vested immediately. During the year ended September 30, 2005, the Transit made contributions to the Plan of \$9,387.

NOTE S – COMMITMENT

On June 1, 1998, Gogebic County and Wakefield Township entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in Wakefield Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

The State offset any monies it advanced under the agreement via application of a formula that provided for a \$20,000 reduction for each qualifying new job created. Any shortfall was to become a liability of both Wakefield Township and Gogebic County on May 31, 2005. A repayment schedule was to be determined by the State at that time if necessary. Gogebic County and Wakefield Township each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for any State advances not offset by new job creation. Wakefield Township committed to reimbursing the County for any County liability incurred. As of December 31, 2005, there was no shortfall of jobs created and Gogebic County is not liable for any liability under the agreement.

All administrative, financial and reporting responsibilities have been assumed by Wakefield Township. Accordingly, financial statements relating to the project are included in the Township's annual financial statements.

NOTE T - DEFERRED COMPENSATION PLANS

The County offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. Because the County does not have an established trust agreement with the Plan trustees, does not provide investment advice and does not administer the Plan, the County has not established a fiduciary relationship with the Plan. Therefore, the Plan assets are not included in the financial statements of the County.

NOTE U – COMMUNITY MENTAL HEALTH AUTHORITY

Retirement System

The Authority participates in Gogebic County's single-employer defined benefit pension plan that covers substantially all of its employees. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the County Board of Commissioners.

Essentially all employees are eligible to participate in the System. All employees who retire at or after the time when the sum of age plus years of credited service is equal to 70, or age 60 with 8 years of credited service, are entitled to annual retirement benefit, payable monthly for life, equal to total service years times 2.5% of final average compensation. Final average compensation is the employee's highest three years out of the last ten.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE U – COMMUNITY MENTAL HEALTH AUTHORITY (CONTINUED)

Retirement System (Continued)

Benefits fully vest upon reaching 8 years of service. The System also provides death and disability benefits. Benefits are established by State statute. The Authority makes all required payments for its members.

On December 2, 2003, the employees of the Authority voted to opt out of social security and elected an alternative to the social security benefit package. The alternative to the social security benefit package included enhancements to the current defined benefit pension plan through Gogebic County and the addition of a 401(a) money purchase plan. The enhancements to the pension plan included an increase in multiplier to 2.5% for both non-residential and residential employees, change in the final average compensation to the best three out of the last ten years, addition of the Deferred Retirement Option Plan (DROP), the cost of the 70 and out plan, and other options available at the time of retirement. In 2003, the contribution into the pension fund for the employees of the Authority was 8.96% and the contribution into social security was 12.4% to total 21.36%. With the enhancements of the alternative to social security plan, the contributions into the pension plan for employees are 20.2%. This contribution is funded by a 6.2% employee contribution and a 14% employer contribution. The employer also contributes 2.64% for non-residential employees and 1.45% for residential employees into the 401(a) money purchase plan. This difference in contribution into the 401(a) plan is due to the difference in cost to increase the pension multiplier to 2.5% as non-residential employees were previously at 2.0% while residential employees were at 1.6%.

NOTE V – SUBSEQUENT BORROWING

Subsequent to December 31, 2005, the County obtained a \$500,000 loan to finance its purchase of delinquent real property taxes from the local units of government. It is expected that the loan will be repaid with collections of the delinquent property taxes.

NOTE W - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintained five Enterprise Funds during the year ended December 31, 2005. Services provided by the Funds include medical care, airport, forestry, fair and public transportation services. Segment information for the year ended December 31, 2005, was as follows:

	Medical Care Facility	Airport Operating	Capital Improvement
Operating revenues	\$ 7,234,333	\$ 502,028	\$ 18,950
Operating expenses	<u>7,250,332</u>	<u>839,557</u>	<u>142,309</u>
Operating income (loss)	\$ (15,999)	\$ (337,529)	\$ (123,359)
Nonoperating revenues (expenses) (excluding tax revenues)	0	20,972	79,325
Tax revenues	0	0	0
Operating transfers in (out)	0	183,150	18,950
Current capital contributions	<u>0</u>	<u>0</u>	<u>104,399</u>
Increase (decrease) in net assets	\$ (15,999)	\$ (133,407)	\$ 79,315
Net assets at January 1, 2005	<u>2,203,516</u>	<u>1,703,513</u>	<u>1,009,046</u>
Net assets at December 31, 2005	<u>\$ 2,187,517</u>	<u>\$ 1,570,106</u>	<u>\$ 1,088,361</u>
Total net assets:			
Invested in capital assets	\$ 1,542,404	\$ 1,557,094	\$ 972,990
Restricted	868	0	0
Unrestricted	<u>644,245</u>	<u>13,012</u>	<u>115,371</u>
Total net assets	<u>\$ 2,187,517</u>	<u>\$ 1,570,106</u>	<u>\$ 1,088,361</u>
Long-term debt - payable from operating revenues (including portion payable within one year)	0	0	13,741
Total liabilities	668,062	58,035	13,741
Land, buildings and equipment:			
Additions	61,905	17,640	30,177
Deletions	<u>0</u>	<u>5,660</u>	<u>0</u>
Net cash provided by (used in):			
Operating activities	\$ 247,034	\$ (163,497)	\$ 7,360
Capital and related financing activities	(89,539)	(17,640)	(14,191)
Noncapital financing activities	0	205,942	18,950
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and temporary investments	\$ 157,495	\$ 24,805	\$ 12,119
Cash and temporary investments at January 1, 2005	<u>462,374</u>	<u>(10,304)</u>	<u>100,550</u>
Cash and temporary investments at December 31, 2005	<u>\$ 619,869</u>	<u>\$ 14,501</u>	<u>\$ 112,669</u>

STATEMENTS (CONTINUED)

<u>Forestry Commission</u>	<u>Fair Board</u>	<u>Gogebic County Transit</u>	<u>Total Enterprise Funds</u>
\$ 734,805	\$ 110,903	\$ 52,217	\$ 8,653,236
<u>310,198</u>	<u>169,440</u>	<u>496,198</u>	<u>9,208,034</u>
\$ 424,607	\$ (58,537)	\$ (443,981)	\$ (554,798)
6,236	31,568	344,319	482,420
0	0	0	0
(150,000)	3,000	0	55,100
<u>0</u>	<u>0</u>	<u>0</u>	<u>104,399</u>
\$ 280,843	\$ (23,969)	\$ (99,662)	\$ 87,121
<u>713,572</u>	<u>695,883</u>	<u>759,070</u>	<u>7,084,600</u>
<u>\$ 994,415</u>	<u>\$ 671,914</u>	<u>\$ 659,408</u>	<u>\$ 7,171,721</u>
\$ 494,298	\$ 664,874	\$ 445,309	\$ 5,676,969
25,000	0	3,369	29,237
<u>475,117</u>	<u>7,040</u>	<u>210,730</u>	<u>1,465,515</u>
<u>\$ 994,415</u>	<u>\$ 671,914</u>	<u>\$ 659,408</u>	<u>\$ 7,171,721</u>
0	0	0	13,741
36,984	0	39,756	816,578
20,000	6,400	0	136,122
14,523	0	0	20,183
\$ 462,060	\$ (45,133)	\$ (346,902)	\$ 160,922
(13,000)	(6,400)	0	(140,770)
(150,000)	34,568	309,308	418,768
<u>(293,764)</u>	<u>0</u>	<u>(47,506)</u>	<u>(341,270)</u>
\$ 5,296	\$ (16,965)	\$ (85,100)	\$ 97,650
<u>131,805</u>	<u>23,459</u>	<u>192,460</u>	<u>900,344</u>
<u>\$ 137,101</u>	<u>\$ 6,494</u>	<u>\$ 107,360</u>	<u>\$ 997,994</u>

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 2,661,588	\$ 2,671,588	\$ 2,647,537
Licenses and permits	24,754	24,754	15,937
Federal grants	354,928	397,254	379,542
State grants	624,409	712,701	718,023
Contributions from local units	93,461	93,461	104,047
Charges for services	640,080	624,390	681,427
Fines and forfeits	32,500	55,700	58,719
Interest and rents	73,120	97,120	156,351
Other revenues	<u>21,738</u>	<u>54,550</u>	<u>49,794</u>
Total Revenues	\$ 4,526,578	\$ 4,731,518	\$ 4,811,377
Expenditures:			
Current expenditures:			
Legislative	\$ 55,840	\$ 55,840	\$ 46,039
Judicial	811,952	811,952	818,948
General government	949,944	1,096,173	1,036,082
Public safety	1,162,610	1,285,316	1,279,743
Health and welfare	361,584	361,584	366,948
Other functions	1,467,143	1,467,143	1,339,281
Capital outlay	<u>160,575</u>	<u>160,575</u>	<u>203,882</u>
Total Expenditures	\$ 4,969,648	\$ 5,238,583	\$ 5,090,923
(Deficiency) of Revenues Over Expenditures	\$ (443,070)	\$ (507,065)	\$ (279,546)
Other financing sources -			
Operating transfers in	<u>278,486</u>	<u>338,486</u>	<u>407,117</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	\$ (164,584)	\$ (168,579)	\$ 127,571
Fund balance at January 1, 2005	<u>234,331</u>	<u>234,331</u>	<u>234,331</u>
FUND BALANCE AT DECEMBER 31, 2005	\$ <u>69,747</u>	\$ <u>65,752</u>	\$ <u>361,902</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	General Fund	Special Revenue Funds	Debt Service Fund	Total
ASSETS				
Cash	\$ 268,679	\$ 813,525	\$ 154	\$ 1,082,358
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	2,881,198			2,881,198
State of Michigan	197,565	28,475		226,040
Notes		45,031		45,031
Other	56,279	23,382		79,661
Due from other funds		2,500		2,500
	<u>\$ 3,403,721</u>	<u>\$ 912,913</u>	<u>\$ 154</u>	<u>\$ 4,316,788</u>
LIABILITIES AND COUNTY EQUITY				
Accounts payable	\$ 67,628	\$ 74,252		\$ 141,880
Salaries and wages and related liabilities	92,993			92,993
Deferred revenues	<u>2,881,198</u>	<u>45,031</u>		<u>2,926,229</u>
Total Liabilities	<u>\$ 3,041,819</u>	<u>\$ 119,283</u>	<u>\$ 0</u>	<u>\$ 3,161,102</u>
County equity:				
Fund balance:				
Reserved	\$ 48,746	\$ 14,725	\$ 154	\$ 63,625
Unreserved	<u>313,156</u>	<u>778,905</u>		<u>1,092,061</u>
Total County Equity	<u>\$ 361,902</u>	<u>\$ 793,630</u>	<u>\$ 154</u>	<u>\$ 1,155,686</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Revenues:				
Taxes	\$ 2,647,537	\$ 517,016		\$ 3,164,553
Licenses and permits	15,937			15,937
Federal grants	379,542	134,926		514,468
State grants	718,023	323,033		1,041,056
Contributions from local units	104,047	17,856	\$ 96,196	218,099
Charges for services	681,427	152,277		833,704
Fines and forfeits	58,719			58,719
Interest and rents	156,351	757		157,108
Other revenues	49,794	109,508		159,302
Total Revenues	\$ 4,811,377	\$ 1,255,373	\$ 96,196	\$ 6,162,946
Expenditures:				
Current expenditures:				
Legislative	\$ 46,039			\$ 46,039
Judicial	818,948	\$ 12,003		830,951
General government	1,036,082			1,036,082
Public safety	1,279,743	117,190		1,396,933
Health and welfare	366,948	876,089		1,243,037
Recreation and culture		78,087		78,087
Other functions	1,339,281			1,339,281
Capital outlay	203,882	159,809		363,691
Debt service			\$ 96,210	96,210
Total Expenditures	\$ 5,090,923	\$ 1,243,178	\$ 96,210	\$ 6,430,311
Excess (Deficiency) of Revenues Over Expenditures	\$ (279,546)	\$ 12,195	\$ (14)	\$ (267,365)
Other financing sources (uses) - Operating transfers in (out)	407,117	(34,898)		372,219
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 127,571	\$ (22,703)	\$ (14)	\$ 104,854
Fund balance at January 1, 2005	234,331	816,333	168	1,050,832
FUND BALANCE AT DECEMBER 31, 2005	\$ 361,902	\$ 793,630	\$ 154	\$ 1,155,686

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

ASSETS

Cash		\$	268,679
Receivables:			
Current property taxes	\$	2,810,204	
Delinquent personal property taxes		70,994	
State of Michigan		197,565	
Other		<u>56,279</u>	<u>3,135,042</u>
			<u>\$ 3,403,721</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable		\$	67,628
Salaries and wages			92,993
Deferred revenue			<u>2,881,198</u>
	Total Liabilities	\$	3,041,819
Fund balance:			
Reserved for maintenance of effort	\$	48,746	
Unreserved		<u>313,156</u>	<u>361,902</u>
			<u>\$ 3,403,721</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes (net of chargebacks):			
General operating	\$ 2,360,924	\$ 2,338,559	\$ (22,365)
Medical Care Facility maintenance of effort	152,528	156,647	4,119
Animal control	71,236	73,267	2,031
Delinquent property taxes	18,000	24,652	6,652
Commercial forest reserve	60,000	45,511	(14,489)
Other taxes	<u>8,900</u>	<u>8,901</u>	<u>1</u>
	\$ 2,671,588	\$ 2,647,537	\$ (24,051)
Licenses and permits	24,754	15,937	(8,817)
Federal grants:			
Payment in lieu of taxes	\$ 300,000	\$ 290,351	\$ (9,649)
Cooperative reimbursements	33,887	31,857	(2,030)
2005 Emergency management performance	7,527	7,527	
2004 Emergency management performance	2,132	2,132	
2003 State Homeland Security Training	17,659	7,225	(10,434)
2003 State Homeland Security Exercise	2,640	2,640	
2003 State Homeland Security SAP	11,141	11,228	87
2004 Homeland Security	19,868	22,028	2,160
2005 Homeland Security		1,804	1,804
Other federal grants	<u>2,400</u>	<u>2,750</u>	<u>350</u>
	\$ 397,254	\$ 379,542	\$ (17,712)
State grants:			
State revenue sharing	\$ 10,860	\$ 10,858	\$ (2)
Liquor fees	30,467	30,606	139
Judges' salary supplement	247,956	257,035	9,079
Byrne grant	23,870	23,870	
Court funding	127,981	128,674	693
Sheriff and marine safety grants	97,869	93,540	(4,329)
Survey and remonumentation	149,327	149,349	22
Prisoner work release fees	5,000	4,720	(280)
Juvenile incentive	<u>19,371</u>	<u>19,371</u>	
	\$ 712,701	\$ 718,023	\$ 5,322

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND (CONTINUED)

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Contributions from local units:			
Ontonagon County district court costs	\$ 8,000	\$ 19,640	\$ 11,640
Township liquor licenses	10,734	12,296	1,562
Wage reimbursements	<u>74,727</u>	<u>72,111</u>	<u>(2,616)</u>
	\$ 93,461	\$ 104,047	\$ 10,586
Charges for services:			
Departmental fees and services	\$ 382,200	\$ 442,098	\$ 59,898
Sheriff law enforcement services	<u>242,190</u>	<u>239,329</u>	<u>(2,861)</u>
	\$ 624,390	\$ 681,427	\$ 57,037
Fines and forfeits	55,700	58,719	3,019
Interest and rents:			
Interest earned	\$ 54,000	\$ 107,950	\$ 53,950
Rentals and leases	<u>43,120</u>	<u>48,401</u>	<u>5,281</u>
	\$ 97,120	\$ 156,351	\$ 59,231
Other revenues:			
Refunds and rebates	\$ 45,000	\$ 46,029	\$ 1,029
Miscellaneous	<u>9,550</u>	<u>3,765</u>	<u>(5,785)</u>
	\$ 54,550	\$ 49,794	\$ (4,756)
Total Revenues	\$ 4,731,518	\$ 4,811,377	\$ 79,859
Other financing sources:			
Operating transfers in:			
Internal Service Fund	\$ 619,169	\$ 662,319	\$ 43,150
Revenue Sharing Reserve Fund	<u>291,417</u>	<u>311,898</u>	<u>20,481</u>
	\$ 910,586	\$ 974,217	\$ 63,631
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,642,104</u>	<u>\$ 5,785,594</u>	<u>\$ 143,490</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures:			
Legislative - Board of Commissioners	\$ 55,840	\$ 46,039	\$ 9,801
Judicial:			
Circuit court	\$ 138,044	\$ 148,837	\$ (10,793)
District court	242,517	213,859	28,658
Probate court	339,200	367,435	(28,235)
Probate court - Juvenile Program	19,371	15,956	3,415
Indigent attorney contract	69,000	69,258	(258)
Jury commission	<u>3,820</u>	<u>3,603</u>	<u>217</u>
	\$ 811,952	\$ 818,948	\$ (6,996)
General government:			
Administration	\$ 56,633	\$ 56,404	\$ 229
Elections	13,257	11,199	2,058
Clerk/Register of Deeds	193,850	179,319	14,531
Equalization	93,983	93,306	677
Prosecuting Attorney	179,354	176,093	3,261
Survey and remonumentation	149,327	149,408	(81)
Treasurer	100,278	99,942	336
Data processing	55,944	44,154	11,790
Building and grounds	147,109	123,030	24,079
Cooperative extension	89,275	89,275	
Plat Board	161		161
Drain Commissioner	2	2	
Audit	<u>17,000</u>	<u>13,950</u>	<u>3,050</u>
	\$ 1,096,173	\$ 1,036,082	\$ 60,091
Public safety:			
Sheriff department	\$ 827,292	\$ 865,947	\$ (38,655)
Sheriff department - Bessemer City	104,467	105,447	(980)
Sheriff department - Wakefield City	102,036	103,204	(1,168)
Sheriff department - road patrol	53,252	47,997	5,255
Marine law enforcement	8,729	3,541	5,188
ORV law enforcement	9,969	4,986	4,983
Snowmobile enforcement	22,917	7,237	15,680
Emergency services	68,662	52,145	16,517
Animal control	<u>87,992</u>	<u>89,239</u>	<u>(1,247)</u>
	\$ 1,285,316	\$ 1,279,743	\$ 5,573

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures: (Continued)			
Health and welfare:			
District health	\$ 101,884	\$ 101,884	
Veterans affairs	19,710	19,710	
Medical Care Facility maintenance of effort	152,028	154,386	\$ (2,358)
Medical examiners	16,000	18,951	(2,951)
Soldiers and sailors relief	7,000	7,920	(920)
Soil erosion	17,877	17,876	1
Soil conservation	1,000	1,000	
Western U.P. Substance Abuse	15,379	15,303	76
Commission on Aging	12,000	12,000	
Western U.P. Planning and Regional Development	7,454	7,454	
U.P.C.A.P.	800	800	
Department of Human Services	850		850
Cigarette tax	7,602	7,664	(62)
Human Services Coordinating Board	<u>2,000</u>	<u>2,000</u>	
	\$ 361,584	\$ 366,948	\$ (5,364)
Other functions:			
Employees' health insurance	\$ 870,624	\$ 770,303	\$ 100,321
Insurance, bonds and fringes	111,202	113,743	(2,541)
Unemployment compensation	10,000	11,375	(1,375)
Workers' compensation	85,000	68,206	16,794
Employees' retirement	300,817	289,075	11,742
Prescription co-pay	35,000	38,160	(3,160)
Optical reimbursements	22,500	20,221	2,279
Tax reimbursements	4,300	1,406	2,894
Duplicating and office supplies	<u>27,700</u>	<u>26,792</u>	<u>908</u>
	\$ 1,467,143	\$ 1,339,281	\$ 127,862
Total Current Expenditures	\$ 5,078,008	\$ 4,887,041	\$ 190,967
Capital outlay	<u>160,575</u>	<u>203,882</u>	<u>(43,307)</u>
Total Expenditures	\$ 5,238,583	\$ 5,090,923	\$ 147,660

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Other financing uses - appropriation transfers out:			
Mental Health Fund	\$ 94,000	\$ 94,000	
Child Care Fund	230,000	230,000	
Economic Development Commission	10,000	10,000	
Friend of Court	25,000	20,000	\$ 5,000
Law Library Fund	8,000	8,000	
Airport:			
Operating	183,150	183,150	
Capital Improvement	18,950	18,950	
Fair Board	<u>3,000</u>	<u>3,000</u>	
	<u>\$ 572,100</u>	<u>\$ 567,100</u>	<u>\$ 5,000</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 5,810,683</u>	 <u>\$ 5,658,023</u>	 <u>\$ 152,660</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
ASSETS							
Cash (overdraft)	\$ 362,251	\$ 127,995	\$ 39,884	\$ (5,730)	\$ 15,225	\$ 273,900	\$ 813,525
Receivables:							
State of Michigan		2,520		23,410	2,545		28,475
Notes from individuals					45,031		45,031
Other						23,382	23,382
Due from other funds						2,500	2,500
	<u>\$ 362,251</u>	<u>\$ 130,515</u>	<u>\$ 39,884</u>	<u>\$ 17,680</u>	<u>\$ 62,801</u>	<u>\$ 299,782</u>	<u>\$ 912,913</u>

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable		\$ 21,813		\$ 5,431	\$ 3,045	\$ 43,963	\$ 74,252
Deferred revenue					45,031		45,031
	\$ 0	\$ 21,813	\$ 0	\$ 5,431	\$ 48,076	\$ 43,963	\$ 119,283
Fund Balance:							
Reserved	\$ 362,251	\$ 108,702	\$ 39,884	\$ 12,249	\$ 14,725	\$ 255,819	\$ 778,905
Unreserved	\$ 362,251	\$ 108,702	\$ 39,884	\$ 12,249	\$ 14,725	\$ 255,819	\$ 793,630
	\$ 362,251	\$ 130,515	\$ 39,884	\$ 17,680	\$ 62,801	\$ 299,782	\$ 912,913

NOTES: The date of the balance sheet of Community Development Block Grant Fund is September 30, 2005.

* Detail on pages 88 and 89.

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
ASSETS								
Cash	\$ 11,107	\$ 7,697	\$ 322	\$ 585	\$ 2,930	\$ 20,509	\$ 148,285	\$ 22,882
Receivables - Other								
Due from other funds		<u>2,500</u>						
	<u>\$ 11,107</u>	<u>\$ 10,197</u>	<u>\$ 322</u>	<u>\$ 585</u>	<u>\$ 2,930</u>	<u>\$ 20,509</u>	<u>\$ 148,285</u>	<u>\$ 22,882</u>
LIABILITIES AND FUND BALANCE								
Liability - Accounts payable	\$ 950	\$ 529					\$ 19,475	\$ 22,882
Fund Balance - unreserved	<u>10,157</u>	<u>9,668</u>	<u>\$ 322</u>	<u>\$ 585</u>	<u>\$ 2,930</u>	<u>\$ 20,509</u>	<u>128,810</u>	
	<u>\$ 11,107</u>	<u>\$ 10,197</u>	<u>\$ 322</u>	<u>\$ 585</u>	<u>\$ 2,930</u>	<u>\$ 20,509</u>	<u>\$ 148,285</u>	<u>\$ 22,882</u>

NOTE: The date of the balance sheet of the Senior Citizens Programs Fund is September 30, 2005.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Little Girl's Point Camp Fund	Dare Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
Cash	\$ 60,919	\$ 3,139	\$ 10,723	\$ 203	\$ 930		\$ 5,640	\$ 911	\$ 273,900
Receivables - Other		500							23,382
Due from other funds									2,500
	<u>\$ 60,919</u>	<u>\$ 3,639</u>	<u>\$ 10,723</u>	<u>\$ 203</u>	<u>\$ 930</u>	<u>\$ 0</u>	<u>\$ 5,640</u>	<u>\$ 911</u>	<u>\$ 299,782</u>
LIABILITIES AND FUND BALANCE									
Liability - Accounts payable							\$ 127		\$ 43,963
Fund Balance - unreserved	<u>\$ 60,919</u>	<u>\$ 3,639</u>	<u>\$ 10,723</u>	<u>\$ 203</u>	<u>\$ 930</u>		<u>5,513</u>	<u>\$ 911</u>	<u>255,819</u>
	<u>\$ 60,919</u>	<u>\$ 3,639</u>	<u>\$ 10,723</u>	<u>\$ 203</u>	<u>\$ 930</u>	<u>\$ 0</u>	<u>\$ 5,640</u>	<u>\$ 911</u>	<u>\$ 299,782</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Revenues:							
Taxes	\$ 316,597					\$ 200,419	\$ 517,016
Federal grants					\$ 134,926		134,926
State grants		\$ 18,780		\$ 190,132		114,121	323,033
Contributions from local units			\$ 17,856				17,856
Charges for services		21,555		12,415		118,307	152,277
Interest and rents			757				757
Other revenues					20,234	89,274	109,508
Expenditures:	\$ 316,597	\$ 40,335	\$ 18,613	\$ 202,547	\$ 155,160	\$ 522,121	\$ 1,255,373
Current:							
Judicial						\$ 12,003	\$ 12,003
Public safety						117,190	117,190
Health and welfare		\$ 254,101	\$ 24,750	\$ 240,151	\$ 143,604	213,483	876,089
Recreation and culture						78,087	78,087
Capital outlay						159,809	159,809
	\$ 0	\$ 254,101	\$ 24,750	\$ 240,151	\$ 143,604	\$ 580,572	\$ 1,243,178

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Excess (Deficiency) of Revenues Over Expenditures	\$ 316,597	\$ (213,766)	\$ (6,137)	\$ (37,604)	\$ 11,556	\$ (58,451)	\$ 12,195
Other financing sources (uses) - operating transfers in (out)	(311,898)	230,000	19,000	20,000		8,000	(34,898)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 4,699	\$ 16,234	\$ 12,863	\$ (17,604)	\$ 11,556	\$ (50,451)	\$ (22,703)
Fund balance at January 1, 2005	357,552	92,468	27,021	29,853	3,169	306,270	816,333
FUND BALANCE AT DECEMBER 31, 2005	\$ 362,251	\$ 108,702	\$ 39,884	\$ 12,249	\$ 14,725	\$ 255,819	\$ 793,630

NOTES: The fiscal year of the Community Development Block Grant Fund is October 1, 2004 to September 30, 2005.

*Detail on page 92 and 93.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
Revenues:								
Taxes								\$ 200,419
State grants				\$ 1,575		\$ 6,875	\$ 105,671	
Charges for services	\$ 88,637	\$ 2,950	\$ 750			302	58,457	11,700
Other revenues								
	\$ 88,637	\$ 2,950	\$ 750	\$ 1,575	\$ 0	\$ 7,177	\$ 164,128	\$ 212,119
Expenditures:								
Current:								
Judicial		\$ 7,483						
Public safety			\$ 530		\$ 2,381	\$ 1,250	\$ 94,766	\$ 212,119
Health and welfare	\$ 77,887			\$ 1,364				
Recreational and culture	14,822						144,987	
Capital outlay								
	\$ 92,709	\$ 7,483	\$ 530	\$ 1,364	\$ 2,381	\$ 1,250	\$ 239,753	\$ 212,119
Excess (Deficiency) of								
Revenues Over Expenditures	\$ (4,072)	\$ (4,533)	\$ 220	\$ 211	\$ (2,381)	\$ 5,927	\$ (75,625)	\$ 0
Other financing source - operating transfers in		8,000						
Excess (Deficiency) of								
Revenues and Other Financing								
Source Over Expenditures	\$ (4,072)	\$ 3,467	\$ 220	\$ 211	\$ (2,381)	\$ 5,927	\$ (75,625)	\$ 0
Fund balance at January 1, 2005	14,229	6,201	102	374	5,311	14,582	204,435	0
FUND BALANCE AT DECEMBER 31, 2005	\$ 10,157	\$ 9,668	\$ 322	\$ 585	\$ 2,930	\$ 20,509	\$ 128,810	\$ 0

NOTE: The fiscal year of the Senior Citizens Programs Fund is October 1, 2004 to September 30, 2005.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Little Girl's Point Camp Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
Revenues:									
Taxes									\$ 200,419
State grants									114,121
Charges for services			\$ 2,515						118,307
Other revenues	\$ 27,155	\$ 8,425			\$ 14		\$ 6,676		89,274
	\$ 27,155	\$ 8,425	\$ 2,515		\$ 14	\$ 0	\$ 6,676	\$ 0	\$ 522,121
Expenditures:									
Current:									
Judicial	\$ 4,520								\$ 12,003
Public safety		\$ 6,352	\$ 1,369		\$ 279		\$ 8,401	\$ 1,862	117,190
Health and welfare									213,483
Recreation and culture						\$ 200			78,087
Capital outlay									159,809
	\$ 4,520	\$ 6,352	\$ 1,369		\$ 279	\$ 200	\$ 8,401	\$ 1,862	\$ 580,572
Excess (Deficiency) of									
Revenues Over Expenditures	\$ 22,635	\$ 2,073	\$ 1,146		\$ (265)	\$ (200)	\$ (1,725)	\$ (1,862)	\$ (58,451)
Other financing source - operating transfers in									8,000
Excess (Deficiency) of									
Revenues and Other Financing									
Source Over Expenditures	\$ 22,635	\$ 2,073	\$ 1,146		\$ (265)	\$ (200)	\$ (1,725)	\$ (1,862)	\$ (50,451)
Fund balance at January 1, 2005	38,284	1,566	9,577	\$ 203	1,195	200	7,238	2,773	306,270
FUND BALANCE									
AT DECEMBER 31, 2005	\$ 60,919	\$ 3,639	\$ 10,723	\$ 203	\$ 930	\$ 0	\$ 5,513	\$ 911	\$ 255,819

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
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ASSETS

Cash	\$ 154	\$ 0	\$ 154
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FUND BALANCE

Fund balance - reserved for debt service	\$ 154	\$ 0	\$ 154
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The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
Revenues - contractual payments from City of Ironwood	\$ 38,674	\$ 57,522	\$ 96,196
Expenditures:			
Debt Service:			
Principal retirement	\$ 25,000	\$ 35,000	\$ 60,000
Interest	12,858	22,522	35,380
Fiscal charges	<u>830</u>	<u></u>	<u>830</u>
	\$ <u>38,688</u>	\$ <u>57,522</u>	\$ <u>96,210</u>
(Deficiency) of Revenues Over Expenditures	\$ (14)	\$ 0	\$ (14)
Fund balance at January 1, 2005	<u>168</u>	<u>0</u>	<u>168</u>
FUND BALANCE AT DECEMBER 31, 2005	<u>\$ 154</u>	<u>\$ 0</u>	<u>\$ 154</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	Major Funds			Nonmajor Funds					Totals
	Medical Care Facility	Operating	Airport	Capital Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit	Total Nonmajor Funds
ASSETS									
Current Assets:									
Cash and cash equivalents	\$ 197,032	\$ 14,501	\$ 112,669	\$ 324,202	\$ 137,101	\$ 6,494	\$ 107,360	\$ 250,955	\$ 575,157
Temporary investments					400,000		104,061	504,061	504,061
Patient accounts receivable	627,425			627,425					627,425
Less allowances	(10,000)			(10,000)					(10,000)
Other accounts receivable		42,317		42,317			2,122	2,122	44,439
Property taxes receivable							1,265	1,265	1,265
Grants receivable			2,702	2,702			35,226	35,226	37,928
Due from other funds						546		546	546
Inventories	45,648	14,229		59,877					59,877
Prepaid expenses	30,233			30,233			3,821	3,821	34,054
Total Current Assets	\$ 890,338	\$ 71,047	\$ 115,371	\$ 1,076,756	\$ 537,101	\$ 7,040	\$ 253,855	\$ 797,996	\$ 1,874,752
Noncurrent Assets:									
Land, Buildings and Equipment:									
Land, buildings and equipment	\$ 4,059,052	\$ 8,538,173	\$ 1,058,985	\$ 13,656,210	\$ 638,877	\$ 804,444	\$ 1,083,581	\$ 2,526,902	\$ 16,183,112
Less allowances for depreciation	(2,544,282)	(6,981,079)	(197,506)	(9,722,867)	(144,579)	(139,570)	(638,272)	(922,421)	(10,645,288)
Construction in progress	\$ 1,514,770	\$ 1,557,094	\$ 861,479	\$ 3,933,343	\$ 494,298	\$ 664,874	\$ 445,309	\$ 1,604,481	\$ 5,537,824
	27,634		125,252	152,886					152,886
Total Noncurrent Assets	\$ 1,542,404	\$ 1,557,094	\$ 986,731	\$ 4,086,229	\$ 494,298	\$ 664,874	\$ 445,309	\$ 1,604,481	\$ 5,690,710
Other Assets:									
Cash reserved for:									
Funded depreciation	\$ 421,969			\$ 421,969					\$ 421,969
Other restricted	868			868					868
Total Other Assets	\$ 422,837			\$ 422,837					\$ 422,837
Total Net Assets	\$ 2,855,579	\$ 1,628,141	\$ 1,102,102	\$ 5,585,822	\$ 1,031,399	\$ 671,914	\$ 699,164	\$ 2,402,477	\$ 7,988,299

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds			Nonmajor Funds			
	Medical Care Facility	Operating	Airport Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Total Nonmajor Funds
Liabilities:							
Current liabilities:							
Accounts payable	\$ 174,673	\$ 26,528		\$ 201,201	\$ 1,828		\$ 25,273
Salaries and wages and related liabilities	158,609	10,111		168,720	5,810		6,423
							175,143
Total Current Liabilities	\$ 333,282	\$ 36,639	\$ 0	\$ 369,921	\$ 7,638	\$ 0	\$ 31,696
							\$ 401,617
Non-current liabilities:							
Note payable to bank				\$ 13,741			\$ 13,741
Accrued sick and vacation pay	\$ 334,780	\$ 21,396		356,176	\$ 29,346		\$ 45,044
							401,220
Total Long-term Liabilities	\$ 334,780	\$ 21,396	\$ 13,741	\$ 369,917	\$ 29,346	\$ 0	\$ 45,044
							\$ 414,961
Total Liabilities	\$ 668,062	\$ 58,035	\$ 13,741	\$ 739,838	\$ 36,984	\$ 0	\$ 76,740
							\$ 816,578
NET ASSETS							
Net Assets:							
Invested in capital assets,							
net of related debt	\$ 1,542,404	\$ 1,557,094	\$ 972,990	\$ 4,072,488	\$ 494,298	\$ 604,874	\$ 1,604,481
Restricted	868			868	25,000		28,369
Unrestricted	644,245	13,012	115,371	772,628	475,117	7,040	692,887
							1,465,515
Total Net Assets	\$ 2,187,517	\$ 1,570,106	\$ 1,088,361	\$ 4,845,984	\$ 994,415	\$ 671,914	\$ 2,325,737
							\$ 7,171,721

Note: The date of the balance sheet of Gogebic County Transit is September 30, 2005.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Major Funds			Nonmajor Funds				Totals
	Medical Care Facility	Operating	Airport Capital Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Operating revenues - sales and charges for services, net	\$ 7,112,033	\$ 441,204		\$ 7,553,237	\$ 733,968	\$ 110,903	\$ 52,217	\$ 897,088
Other operating revenues	<u>122,300</u>	<u>60,824</u>	<u>18,950</u>	<u>202,074</u>	<u>837</u>			<u>837</u>
	\$ 7,234,333	\$ 502,028	\$ 18,950	\$ 7,755,311	\$ 734,805	\$ 110,903	\$ 52,217	\$ 897,925
Operating expenses:								
Salaries, fees and fringe benefits	\$ 5,584,884	\$ 287,763		\$ 5,872,647	\$ 226,931	\$ 20,035	\$ 298,201	\$ 545,167
Services, materials and other operating expenses	1,430,453	374,337	90,915	1,895,705	50,486	135,776	101,936	288,198
Depreciation provisions	226,824	177,457	49,742	454,023	32,781	13,629	96,061	142,471
Provision for bad debts	8,171			8,171				8,171
Interest			<u>1,652</u>	<u>1,652</u>				<u>1,652</u>
	\$ 7,250,332	\$ 839,557	\$ 142,309	\$ 8,232,198	\$ 310,198	\$ 169,440	\$ 496,198	\$ 975,836
	\$ (15,999)	\$ (337,529)	\$ (123,359)	\$ (476,887)	\$ 424,607	\$ (58,537)	\$ (443,981)	\$ (77,911)
Operating Income (Loss)								
Nonoperating revenues (expenses):								
Property taxes							\$ 120,415	\$ 120,415
Federal grants			\$ 68,500	\$ 68,500			52,203	120,703
State grants		\$ 22,792	10,825	33,617		\$ 31,568	168,462	200,030
Interest					\$ 6,236		3,239	9,475
Loss on asset disposal		<u>(1,820)</u>		<u>(1,820)</u>				<u>(1,820)</u>
	\$ 0	\$ 20,972	\$ 79,325	\$ 100,297	\$ 6,236	\$ 31,568	\$ 344,319	\$ 382,123
								\$ 482,420
Income (Loss) Before Operating Transfers and Capital Contributions	\$ (15,999)	\$ (316,557)	\$ (44,034)	\$ (376,590)	\$ 430,843	\$ (26,969)	\$ (99,662)	\$ 304,212
Operating transfers from (to) - other funds		183,150	18,950	202,100	(150,000)	3,000		(147,000)
Capital contributions			<u>104,399</u>	<u>104,399</u>				<u>104,399</u>
	\$ (15,999)	\$ (133,407)	\$ 79,315	\$ (70,091)	\$ 280,843	\$ (23,969)	\$ (99,662)	\$ 157,212
Increase (Decrease) in Net Assets	<u>2,203,516</u>	<u>1,703,513</u>	<u>1,009,046</u>	<u>4,916,075</u>	<u>713,572</u>	<u>695,883</u>	<u>759,070</u>	<u>2,168,525</u>
Net assets at January 1, 2005								
	\$ 2,187,517	\$ 1,570,106	\$ 1,088,361	\$ 4,845,984	\$ 994,415	\$ 671,914	\$ 659,408	\$ 2,325,737
NET ASSETS AT DECEMBER 31, 2005								
								\$ 7,171,721

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2004 to September 30, 2005.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Major Funds			Nonmajor Funds			
	Medical Care Facility	Operating	Airport Capital Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit
							Total Nonmajor Funds
Cash flows from operating activities:							
Cash received from customers	\$ 7,152,150	\$ 421,756		\$ 7,573,906	\$ 734,805	\$ 110,903	\$ 895,803
Cash received from local unit		60,824	\$ 18,950	79,774			\$ 79,774
Cash paid to employees	(5,593,517)	(273,736)		(5,867,253)	(219,570)	(20,035)	(542,739)
Cash paid to suppliers	(1,311,599)	(372,341)	(11,590)	(1,695,530)	(53,175)	(136,001)	(283,039)
							(1,978,569)
Net Cash Provided by (Used in) Operating Activities	\$ 247,034	\$ (163,497)	\$ 7,360	\$ 90,897	\$ 462,060	\$ (45,133)	\$ 70,025
Cash flows from capital and related financing activities:							
Acquisition of land, buildings and equipment							
Proceeds from borrowing	\$ (89,539)	\$ (17,640)	\$ (43,578)	\$ (150,757)	\$ (13,000)	\$ (6,400)	\$ (170,157)
Principal paid on long-term debt			13,741	13,741			13,741
Interest paid			(62,164)	(62,164)			(62,164)
Capital grant received			(1,652)	(1,652)			(1,652)
			79,462	79,462			79,462
Net Cash (Used in) Capital and Related Financing Activities	\$ (89,539)	\$ (17,640)	\$ (14,191)	\$ (121,370)	\$ (13,000)	\$ (6,400)	\$ (140,770)
Cash flows from noncapital financing activities:							
Operating transfers in (to) other funds		\$ 183,150	\$ 18,950	\$ 202,100	\$ (150,000)	\$ 3,000	\$ (147,000)
Collection of borrowings to other funds							\$ 55,100
State and federal grants		22,792		22,792		31,568	220,143
Property tax collections							120,733
							120,733
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 205,942	\$ 18,950	\$ 224,892	\$ (150,000)	\$ 34,568	\$ 193,876
Cash flows from investing activities:							
Purchase of certificates of deposit					\$ (400,000)		\$ (500,745)
Redemption of certificates of deposit					100,000		150,000
Interest earned					6,236		9,475
Net Cash Provided by (Used in) Investing Activities	\$ 0	\$ 0	\$ 0	\$ 0	\$ (293,764)	\$ 0	\$ (341,270)
Net Increase (Decrease) in Cash and Temporary Investments	\$ 157,495	\$ 24,805	\$ 12,119	\$ 194,419	\$ 5,296	\$ (16,965)	\$ (96,769)
Cash and temporary investments at January 1, 2005	462,374	(10,304)	100,550	552,620	131,805	23,459	900,344
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2005	\$ 619,869	\$ 14,501	\$ 112,669	\$ 747,039	\$ 137,101	\$ 6,494	\$ 250,955
							\$ 997,994

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds			Nonmajor Funds			
	Medical Care Facility	Operating	Airport Improvement Capital	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit
							Total Nonmajor Funds
Cash flows from operating activities:							
Operating income (loss)	\$ (15,999)	\$ (337,529)	\$ (123,359)	\$ (476,887)	\$ 424,607	\$ (58,537)	\$ (77,911)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	\$ 226,824	\$ 177,457	\$ 49,742	\$ 454,023	\$ 32,781	\$ 13,629	\$ 96,061
Interest expense			1,652	1,652			
Provision for bad debts	8,171			8,171			
Repairs and maintenance financed by grant awards administered by State of Michigan				79,325			
(Increase) decrease in current assets:							
Accounts receivable	(82,183)	(19,448)		(101,631)		(2,122)	(2,122)
Inventories	(9,478)	(14,229)		(23,707)			
Prepaid expenses	73,107			73,107			
Due from other funds						(225)	(225)
Increase (decrease) in current liabilities:							
Accounts payable and due to other funds	55,225	16,225		71,450	(689)		7,384
Accrued liabilities	(8,633)	14,027		5,394	5,361		428
Total adjustments	\$ 263,033	\$ 174,032	\$ 130,719	\$ 567,784	\$ 37,453	\$ 13,404	\$ 97,079
							\$ 147,936
							\$ 715,720
Net Cash Provided by (Used in) Operating Activities	\$ 247,034	\$ (163,497)	\$ 7,360	\$ 90,897	\$ 462,060	\$ (45,133)	\$ (346,902)
							\$ 70,025
							\$ 160,922

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	\$ 1,652	\$ 1,652
Noncash capital and related financing activities:		
Construction project financed by grant awards administered by State of Michigan	\$ 22,235	\$ 22,235
	\$	\$ 1,652
	\$	\$ 22,235
	\$	\$ 22,235

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2004 to September 30, 2005.

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

		Delinquent Tax Revolving Fund				
		Number				
		1	2	3	4	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 268,769			\$ 1,121,536	\$ 717,631	\$ 2,107,936
Delinquent taxes receivable	12,314			89,992	476,867	579,173
	<u>\$ 281,083</u>	<u>\$ 0</u>	<u>\$ 1,211,528</u>	<u>\$ 1,194,498</u>	<u>\$ 2,687,109</u>	
NET ASSETS						
Net assets	<u>\$ 281,083</u>	<u>\$ 0</u>	<u>\$ 1,211,528</u>	<u>\$ 1,194,498</u>	<u>\$ 2,687,109</u>	

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Delinquent Tax Revolving Fund				
	Number				
	1	2	3	4	Total
Revenues:					
Taxes:					
Penalties and interest on taxes	\$ 2,151	\$ 28,395	\$ 84,457	\$ 66,113	\$ 181,116
Other	45	1,484	32,071	3,951	37,551
Total Operating Revenues	\$ 2,196	\$ 29,879	\$ 116,528	\$ 70,064	\$ 218,667
	6,620				6,620
Operating expenses - administrative expenses					
Interest and dividends earned	\$ (4,424)	\$ 29,879	\$ 116,528	\$ 70,064	\$ 212,047
Transfers in (out):	18,008	7,655	26,655	10,434	62,752
General Fund	\$ (662,319)				\$ (662,319)
Forestry Commission	150,000				150,000
Mental Health	(52,500)				(52,500)
Internal Service Funds	88,214	\$ (1,202,214)		\$ 1,114,000	
	\$ (476,605)	\$ (1,202,214)		\$ 1,114,000	\$ (564,819)
Increase (Decrease) in Net Assets	\$ (463,021)	\$ (1,164,680)	\$ 143,183	\$ 1,194,498	\$ (290,020)
	744,104	1,164,680	1,068,345		2,977,129
Net assets at January 1, 2005					
NET ASSETS AT DECEMBER 31, 2005	\$ 281,083	\$ 0	\$ 1,211,528	\$ 1,194,498	\$ 2,687,109

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

	Delinquent Tax Revolving Fund				
	Number				Total
	1	2	3	4	
Cash flows from operating activities:					
Property tax collections	\$ 5,962	\$ 73,490	\$ 378,488	\$ 798,157	\$ 1,256,097
Other revenues	2,196	29,879	116,528	70,064	218,667
Cash paid to local units			(1,275,024)		(1,275,024)
Cash paid to suppliers	(6,620)				(6,620)
Net Cash Provided by (Used in) Operating Activities	\$ 1,538	\$ 103,369	\$ 495,016	\$ (406,803)	\$ 193,120
Cash flows from noncapital financing activities -					
Advances from (to) other funds	(494,881)	(1,183,938)		1,114,000	(564,819)
Cash flows from investing activities -					
Interest and dividends earned	18,008	7,655	26,655	10,434	62,752
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (475,335)	\$ (1,072,914)	\$ 521,671	\$ 717,631	\$ (308,947)
Cash and cash equivalents at January 1, 2005	744,104	1,072,914	599,865		2,416,883
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2005	\$ 268,769	\$ 0	\$ 1,121,536	\$ 717,631	\$ 2,107,936
Cash flows from operating activities:					
Operating income (loss)	\$ (4,424)	\$ 29,879	\$ 116,528	\$ 70,064	\$ 212,047
Adjustments to reconcile operating income to net cash provided by (used in) operating activities -					
(Increase) decrease in delinquent taxes receivable	5,962	73,490	378,488	(476,867)	(18,927)
Net Cash Provided by (Used in) Operating Activities	\$ 1,538	\$ 103,369	\$ 495,016	\$ (406,803)	\$ 193,120

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - AGENCY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

	Agency Funds		
	Library Penal Fine Fund	Trust and Agency Fund	Total
ASSETS			
Temporary investments	\$ 63,522	\$ 1,192,749	\$ 1,256,271
LIABILITIES			
Due State of Michigan		\$ 5,424	\$ 5,424
Due to other funds	\$ 2,500	546	3,046
Undistributed receipts	61,022	497,079	558,101
Undistributed tax collections		689,700	689,700
	\$ 63,522	\$ 1,192,749	\$ 1,256,271

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CHANGES IN

GOGEBIC COUNTY,

Year ended

	Library Penal Fine Fund			
	Balance at January 1, 2005	Additions	Deductions	Balance at December 31, 2005
ASSETS				
Temporary investments	<u>\$ 78,047</u>	<u>\$ 126,710</u>	<u>\$ 141,235</u>	<u>\$ 63,522</u>
LIABILITIES				
Due State of Michigan				
Due (from) to other funds	\$ 5,000		\$ 2,500	\$ 2,500
Undistributed receipts	73,047	\$ 126,710	138,735	61,022
Undistributed tax collections				
	<u>\$ 78,047</u>	<u>\$ 126,710</u>	<u>\$ 141,235</u>	<u>\$ 63,522</u>

NOTE: Detail of additions and deductions of Trust and Agency Fund liabilities is not available.

The accompanying notes are an integral part of the financial statements.

ASSETS AND LIABILITIES - AGENCY FUNDS

MICHIGAN

December 31, 2005

Trust and Agency Fund			
Balance at January 1, 2005	Additions	Deductions	Balance at December 31, 2005
<u>\$ 940,474</u>	<u>\$10,756,528</u>	<u>\$10,504,253</u>	<u>\$ 1,192,749</u>
 \$ 28,604 }			 \$ 5,424
(2,645) }	\$10,756,528	\$10,504,253	546
358,310 }			497,079
<u>556,205 }</u>	<u> </u>	<u> </u>	<u>689,700</u>
 <u>\$ 940,474</u>	 <u>\$10,756,528</u>	 <u>\$10,504,253</u>	 <u>\$ 1,192,749</u>

STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2005

ASSETS

Investments, at fair value:

Money market funds	\$ 1,082,701	
U.S. Treasury and agency obligations	3,617,650	
Domestic corporate bonds	2,960,988	
Mortgage / asset backed securities	5,052,670	
Domestic stocks	<u>20,740,557</u>	\$ 33,454,566

Accrued interest receivable

99,860

Accounts receivable

7,198\$ 33,561,624

NET ASSETS

Net assets held in trust for pension benefits

\$ 33,561,624

The accompanying notes are an integral part of the
financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
PRIMARY GOVERNMENT		
<u>U.S. Department of Housing and Urban Development</u>		
Passed through State of Michigan Department of Housing Development Community Development Block Grant - MSC 2003-0738-HOA	14.228	\$ 134,926
<u>U.S. Department of Transportation</u>		
Passed through State of Michigan Department of Transportation:		
Airport Improvement Program - B-26-0050-0903	20.106	\$ 4,459
Airport Improvement Program - B-26-0050-0332	20.106	65,200
Airport Improvement Program - B-26-0050-0030	20.106	68,500
Section 18 Operating Assistance 2002-0039/Z8/R1	20.509	48,863
Section 18 Operating Assistance 2002-0039/Z5/R3	20.509	1,284
Section 18 Operating Assistance 2002-0039/Z3	20.509	2,056
Total U.S. Department of Transportation		\$ 190,362
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Social Services - Prosecuting Attorney Legal Support Contract	93.563	31,857
<u>Other Federal Assistance</u>		
Direct Program - Department of the Interior - payment in lieu of taxes	15.226	\$ 290,351
Passed through State of Michigan - Department of State Police:		
2005 Federal Emergency Management Performance	97.067	7,527
2004 Federal Emergency Management Performance	97.042	2,132
2003 State Homeland Security Training	97.004	7,225
2003 State Homeland Security Exercise	97.004	2,640
2003 State Homeland Security SAP Grant	97.004	11,228
2004 Homeland Security Grant	97.004	22,028
2005 Homeland Security Grant	97.067	1,804
Passed through Western U.P. Manpower Consortium - wage reimbursement	17.250	2,750
Total Other Federal Assistance		\$ 347,685
Total Primary Government Expenditures of Federal Awards		\$ 704,830

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
COMPONENT UNITS		
<u>U.S. Department of Transportation</u>		
Administered by State of Michigan Department of Transportation:		
Federal "D" Funds - Project Number -57976A	20.205	\$ 79,900
Emergency Relief Funds - Project Number 48880A	20.205	221,927
Passed through State of Michigan Department of Transportation:		
Federal "D" Funds - Project Number 80127A	20.205	42,560
Surface Transportation Program - Project Number:	20.205	
51753A		69,360
53249A		71,520
73572A		71,324
76793A		<u>72,469</u>
Total U.S. Department of Transportation		\$ 629,060
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Community		
Mental Health:		
Strong Families/Safe Children	93.556	\$ 17,728
OBRA	93.778	19,924
Respite Mental Health	93.958	2,148
Substance Abuse/Co-Occurring	93.959	271
MICChild	93.767	<u>2,302</u>
Total U.S. Department of Health and Human Services		\$ 42,373
<u>U.S. Department of Education</u>		
Passed through State of Michigan Department of Labor and		
Economic Growth - MRS Grant	84.126	\$ 13,354
Passed through Gogebic-Ontonagon Intermediate School		
District - Safe and Drug Free Grant	84.186	<u>8,046</u>
Total U.S. Department of Education		\$ <u>21,400</u>
Total Component Units Expenditures of Federal Awards		\$ <u>692,833</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>1,397,663</u>

NOTE: The State of Michigan Department of Transportation, as an agent of the Federal Highway Administration, is responsible for controlling the receipts and disbursements related to the funds for the above component unit projects.

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gogebic County, Michigan, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. Loans Outstanding - Gogebic County, Michigan, had no loan balances outstanding at December 31, 2005.

3. Subrecipients

Of the federal expenditures presented in the schedule, Gogebic County, Michigan, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.228	\$134,926

4. The U.S. Department of Transportation Programs, Federal C.F.D.A. Number 20.205 is considered a Type A program and all other programs are considered Type B programs. The Type A program was selected as a major program using the risk-based audit approach.

5. Component Unit Excluded from Schedule of Expenditures of Federal Awards

Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, contracted to have its own Single Audit for its year ended June 30, 2005. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Western Upper Peninsula Manpower Consortium. A copy of the Consortium's Schedule of Expenditures of Federal Awards can be obtained at their offices at 100 West Cloverland Drive, Ironwood, Michigan 49938.

SCHEDULE OF AIRPORT PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

Passenger facility charges collected	\$ 9,161
Passenger facility charges expended - annual loan payment	<u>9,161</u>
Excess of passenger facility charges collected over passenger facility charges expended	<u>\$ 0</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

**CERTIFIED PUBLIC ACCOUNTANTS
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MEMBERS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gogebic County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise Gogebic County, Michigan's basic financial statements and have issued our report thereon dated June 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gogebic County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gogebic County, Michigan's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting

for component units Community Mental Health Authority and Western U.P. Manpower Consortium, which we have reported to management in separate letters dated January 25, 2006 and December 15, 2005, respectively.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gogebic County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 9, 2006

JOKI, MAKELA & POLLACK, P.L.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

Compliance

We have audited the compliance of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Gogebic County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Gogebic County, Michigan's management. Our responsibility is to express an opinion on Gogebic County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gogebic County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gogebic County, Michigan's compliance with those requirements.

In our opinion, Gogebic County, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Gogebic County, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic County,

Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joti, Mahela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 9, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gogebic County, Michigan.
2. There was one reportable condition disclosed during the audit of the financial statements to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*.
3. No instances of noncompliance material to the financial statements of Gogebic County, Michigan, were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Gogebic County, Michigan, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Gogebic County, Michigan, to be reported in Section III of this schedule.
7. The program tested as a major program is the U.S. Department of Transportation Program under C.F.D.A. Number 20.205.
8. The threshold for distinguishing Types A and B programs was \$300,000. There is one program which is considered to be Type A and the other programs are considered to be Type B.
9. Gogebic County, Michigan, was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2005-1 Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the County's actual expenditures and budget have been shown on a functional basis. The approved budgets for the County for these budgetary funds were also adopted on the functional level.

During the year ended December 31, 2005, the County incurred expenditures in certain of its budgetary activities, which were in excess of the amounts budgeted as follows:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	(Unfavorable) <u>Variance</u>
General Fund -			
Capital outlay	\$ 160,575	\$ 203,882	\$ (43,307)
Special Revenue Funds -			
Capital outlay	\$ 17,650	\$ 159,802	\$ (142,152)

We recommend that the Board of Commissioners amend its budget prior to year-end to avoid expenditures in excess of budget.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs disclosed during the audit of the major federal award program.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2005

There were no findings or questioned costs during the prior year major federal award program audit.